

**NPR-RIKEN**  
**SUSTAINABILITY REPORT**  
**2024**

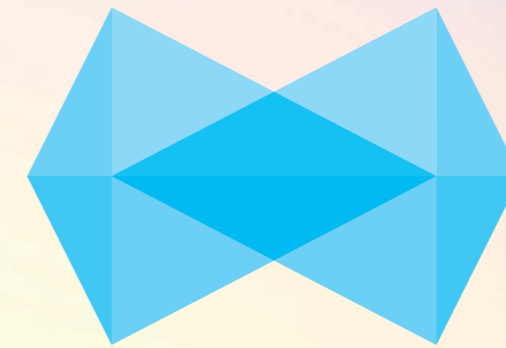


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NPR-RIKEN CORPORATION was born  
on October 2, 2023.

# A new challenge is rising.

In addition to strengthening the profitability of existing businesses centered on engine parts, we will work with a greater sense of speed to create our next core businesses and new products in other parts fields, evolving into a completely new leading company and aiming to further increase corporate value.



**NPR-RIKEN**

**RIKEN**

After its establishment in 1927 to commercialize the research success of the Institute of Physical and Chemical Research, Riken has led the industry in its mainstay piston ring business by improving surface treatment, processing, and material technologies. In addition to automotive parts, the company expanded its business by developing diverse products such as piping, thermal engineering, and EMC by utilizing cultivated technologies.

**NPR**

Founded by Tomonori Suzuki, a self-taught piston ring manufacturer. Nippon Piston Ring (NPR) became a stock company in 1934 and succeeded in mass production of domestically produced piston rings. Since then, embodying the engineering spirit of the founder, NPR has contributed to the progress of global motorization by supplying a variety of high-quality products developed with its proprietary technologies.



# Group Philosophy

## Mission

Build the competencies and capabilities to sustain our present and future

## Vision

Create innovation through the blending of people and technology while continuing to embrace change.

## Value



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NPR-RIKEN Website  
<https://www.npr-riken.co.jp/en/>

### [Editorial Policy]

This document is published as part of the Integrated Report to present how the Group is trying to achieve sustainability management. It introduces our ESG initiatives to our shareholders, investors, and other stakeholders, in addition to the Group’s business strategies that aim for sustainable development of society and sustainable enhancement of corporate value, such as contributing to the achievement of the SDGs and providing products with superior environmental performance more widely putting our corporate philosophy into practice.

### [Special Note on Forward-looking Statements]

This document contains forward-looking statements. These are based on NPR-RIKEN’s judgment at the time this document was prepared and include risks, uncertainties, and other factors. Please be aware that changes in conditions may cause actual results and performance to differ materially from those described in this document.

### [Period of Report]

Fiscal year ended March 31, 2024 (October 2, 2023 to March 31, 2024)  
 Note: Some activities outside the period covered are also introduced.

### [Scope of Report]

NPR-RIKEN CORPORATION and consolidated subsidiaries  
 Note: Part of this report covers only NPR-RIKEN and group companies in Japan.

### [Reference Guideline]

- Value Reporting Foundation (VRF): International Integrated Reporting Framework
- Ministry of Economy, Trade and Industry: Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation

# Message from Top Management



## We will achieve transformation and sustainable growth through the fusion of people and technology

### Introduction

NPR-RIKEN CORPORATION was established on October 2, 2023 as a joint holding company of Riken Corporation and Nippon Piston Ring Co., Ltd. (the “Two Companies”) following the business integration of the Two Companies.

This business integration was accomplished with the encouragement and support of many stakeholders. We would like to express our sincere gratitude for this support.

NPR-RIKEN is responsible for business strategy planning and management of the NPR-RIKEN Group (the “Group”), and announced the Group’s Midterm Management Policy on October 2, 2023, and the First Midterm Management Plan on February 14, 2024.

### Important Themes of NPR-RIKEN Group Management

#### ● Business portfolio reform

One of the objectives of the management integration that created the Group is to achieve sustainable growth and enhance corporate value in the midst of various environmental changes, including the current once-in-a-century period of major transformation in the automotive industry. This can only be achieved by expanding revenue, sales, and the size of the company itself.

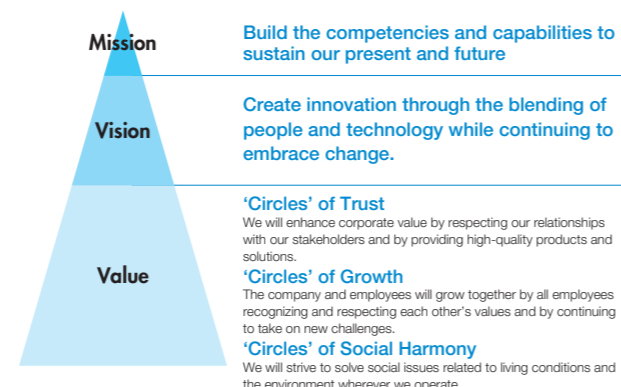
The Midterm Management Plan aims to secure revenue by strengthening the profitability of existing businesses centered on automotive engine parts, which will be achieved by creating synergies through business integration and further capturing demand for non-automotive engine parts such as heavy-duty commercial, marine, industrial, and aftermarket parts, even when demand for mainstay passenger car engine parts is peaking out and slumping.

In order to expand sales and corporate scale in 2030 and beyond, we have clarified our plans for business portfolio reform to shift management resources (people, goods, and money) to our next core businesses, which are expected to grow in the future, and have set a target to increase sales in the next core businesses from approximately 5.8 billion yen in FY2023 to 18 billion yen in FY2026. (Midterm Management Plan → P. 16)

#### ● People and technology

Shared values are very important for the Group to function as a unified entity after the business integration.

Originally, there was a high degree of affinity between the Two Companies’ philosophies, action guidelines, and key sustainability issues (materiality), but we have now formulated a new philosophy, Sustainability Policy, and materiality for the Group. In addition, major materiality issues were also selected with KPIs configured and built into the Midterm Management Plan. (Sustainability Policy and Materiality → P. 12)



In our Group Philosophy, we are committed to identifying the needs of our customers and society, and to innovating through the coordination and fusion of ever more advanced people and technology to help solve social issues through the provision of new value.

To achieve this, we are working to create a new organizational culture to further promote human resource development and skill refinement, which are the core of our efforts. The sales and engineering divisions have already established an integrated division in the Group and are working together as one.

### Human Resources Development

One of the three pillars of the Midterm Management Policy, which is directly related to human resources, is to strengthen sustainability management and develop a foundation for growth. Our plans call for us to work to improve employee engagement and establish human resource development strategies, promote DE&I\*, and create safe and secure workplaces. In the Midterm Management Plan, shifting personnel to growing areas, conversion of human skill through re-skilling, and human resource development and introduction of new system to reinforce DE&I initiatives will be defined under the banner of human investment and promoted with specific intentions. \* Diversity, equity, and inclusion

#### ● Values to be shared across the NPR-RIKEN Group

We have established a clear vision for how we would like to develop human resources through these initiatives and what values we would like everyone in the Group to share.

#### Open-mindedness that transcends boundaries

- Openly acknowledge and incorporate best practices and policies, without insisting on the conventional way of doing things.
- Respect diversity and collaborate with diverse actors.

#### Agility and flexibility

- Foster a corporate culture that encourages taking on challenges and a fast cycle of observation, adaptation, decision-making, action, and improvement.

#### Ability to create and implement new things

- While nurturing the sensitivity to capture change, compensate for what is lacking in creation and execution through personal learning and collaboration with others inside and outside the Company, and execute with decisiveness to resolutely push forward on the path of the unexplored.

#### Acting with integrity

- Understand and practice the NPR-RIKEN Code of Conduct and act ethically to meet the expectations of society and stakeholders.

We believe that developing human resources who respect and practice these values is a key part of resolving business portfolio reform and other management issues, as well as for the sustainable growth of the Group. As such, we intend to promote the development of our internal environment, including the formulation of human resource development policies and the revision of our personnel system. (Human Resources → P. 28)

#### ● Becoming an organization that encourages people to take on the challenge of change

To build a human resource portfolio that is linked to future business strategies and structures, the Two Companies will

continue to develop human resources and pass on technologies and skills by establishing career paths for each employee in advance. In parallel, we will also develop systems to support independent and autonomous career development and selection, such as job rotation, internal recruitment, and support for reskilling, to encourage each individual to take on the challenge of change and thereby put our Group Philosophy into practice.

### Direction of Sustainability Management

As mentioned earlier, the NPR-RIKEN Group has established materiality issues and respective qualitative targets and KPIs, but we believe that they need to be further enhanced.

First, with regard to CO<sub>2</sub> emission reduction targets, we have set and disclosed targets for Scope 1 and 2 (domestic consolidated) by 2030 and for carbon neutrality by 2050, but we recognize that early identification of Scope 3 and target setting including overseas affiliates is an issue. With respect to ensuring diversity, we recognize the need to go beyond the conventional approaches of the Two Companies and research and introduce approaches of other leading companies to further improve our efforts. With regard to contributions to local communities, we recognize the need to promote volunteer activities by our employees, as well as to monitor and disclose the activities of our overseas affiliates.

To improve employee engagement and establish human resource development strategies, we will set quantitative indicators and targets with human capital disclosure in mind, as well as concretize the aforementioned policy for human resources development, and consider, formulate, and promote a new personnel system that will be shared across the Two Companies.

In the field of human rights, we would like to steadily implement the PDCA cycle of human rights due diligence, starting small, including the supply chain in addition to the Group.

With regard to governance, we will enhance the disclosure of information on the activities of governance-related organizations and promote diversity among the Board of Directors, keeping in mind requests from various sources.

In addition, since sustainability management is a built-in part of the current Midterm Management Plan, we will consider revising the officers’ remuneration system to reflect the achievement status of non-financial KPIs related to sustainability in officers’ remuneration.

### Investor Relations

(Toward Improving Stock Price and P/B Ratio)

In order to help shareholders and investors understand that the NPR-RIKEN Group can grow sustainably by achieving the business portfolio reform, and that we are working on sustainability management and human resources development to support this, we have prepared a Sustainability Report that presents non-financial information and introduces our Midterm Management Plan.

Along with the steady execution of ROE improvement and enhancement of shareholder returns, we believe that the enhancement of these activities and the understanding of shareholders and investors will be incorporated as improvements in corporate value, stock price, and P/B ratio.

# NPR-RIKEN Businesses

## Strengthen Profitability

### Piston Ring Business

We provide high-performance, high-quality piston rings for passenger cars, heavy-duty commercial/industrial, aftermarket, and marine applications to a wide range of customers around the world in response to engine requirements for higher output, lower fuel consumption, and cleaner exhaust gas. We are thus highly regarded as the world's No. 1 supplier of piston rings in Japan and overseas.

We will continue to actively contribute to the development of internal combustion engines using hydrogen and synthetic fuels by further developing the proprietary technologies we have so far cultivated.

### Fundamental Business

#### ► Precision Machined Parts (For Automotive and Industrial Machinery)

- **Sintered products, engineered plastic products, and precision components**

Cylinder liners, valve seats, valve lifters, and camshafts contribute to engine performance just like piston rings. We also offer a wide range of sealing components for transmissions, compressors, turbochargers, etc.

We will continue to actively contribute to the development of next-generation automobiles, including internal combustion engines using hydrogen and synthetic fuels, and components for electric vehicles, by further developing the proprietary technologies we have so far cultivated.

- **Casting components**

Mainly automotive undercarriage parts such as steering knuckles, lower arms, damper forks, brake parts, and differential cases, achieving both reliability and weight reduction through advanced materials, design, and manufacturing technologies. We pursue environmental performance.



#### ► Piping Products (For Construction and Industry)

Piping products play a major role in industrial sectors such as lifelines, disaster prevention systems, and plants that support comfortable and safe urban living.

The Group provides piping products that impress customers through technological innovation under a variety of brands including the trusted TOP brand, which has received various certifications and accreditations from JIS, JWVA, JPF, the Fire Equipment and Safety Center of Japan, and Japan Stainless Steel Association.



## Increase Sales to Become Core Business

### Next Core Business

#### ► Thermal Engineering

We develop, manufacture, and sell our own heating elements, and also provide heating equipment such as various industrial furnaces that utilize these elements. We have a lineup of products that meet a wide range of needs, including the highly durable metal heating elements, PYROMAX®, and the ceramic heating elements, PYROMAX-SUPER®, with a maximum working temperature of 1,800°C. Our heat control technology, accumulated over many years, is highly regarded in a wide range of industrial sectors. In the semiconductor industry in particular, the Group's heating elements have been applied to large heater units in the high-temperature range of semiconductor manufacturing equipment. In February 2024, Shinwa Vanes Co., Ltd., which specializes in small- and medium-sized heater units in the low-temperature range for the same equipment, joined the Group. By securing a full lineup of heater units for semiconductor manufacturing equipment, we will further contribute to the development of the semiconductor industry.



#### ► EMC

Electromagnetic compatibility (EMC) refers to the combination of electromagnetic interference (EMI), in which radio waves emitted by various electronic devices do not interfere with other devices, and electromagnetic susceptibility (EMS), in which interference from other devices causes no impact.

The Group develops and sells anechoic chambers and other products for measuring electromagnetic waves as part of its EMC-related business.



#### ► METAMOLD

The cutting treatment is difficult and expensive when using metal materials to manufacture products with fine, complex shapes. Metal injection molding technology is the solution to such problems. By molding and sintering metal powders, we produce products that meet specification requirements in a resource- and energy-efficient environment. Our products support our everyday lives in a variety of fields, including not only automotive parts (steering parts, etc.) but also robots, information communication/office automation equipment, precision medical equipment, and leisure goods.

Note: METAMOLD is a registered trademark of metal powder injection molding products.



#### ► New Products and New Businesses

We develop unique products in which we apply and develop the Group's technologies for each market in growing sectors.

- **Electric unit products**

Compact and thin actuators and lightweight strain wave gears for the expanding industrial/nursing and medical robots and compact mobility markets. (Metal → engineered plastic)

- **Highly functional engineered plastic products**

Products that substitute metal for engineered plastic materials utilizing weight reduction and dissimilar material joining technologies in anticipation of the expansion of the next-generation mobility and robotics markets. (Resin gears, millimeter wave radar cases, inverter parts for electric vehicles, etc.)

- **Noise countermeasure products**

Expansion of noise countermeasure products cultivated in EMC, easy-to-install electromagnetic interference countermeasure components for CASE. (Noise suppression sheets, radio wave absorber sheets, clamp nano crystal cores, etc.)

- **Medical equipment**

Implantable medical devices by NiFreeT® for an aging society with a declining birthrate, advanced medical care, and evolving medical devices.



# Value Creation Model

**Mission**  
Build the competencies and capabilities to sustain our present and future

**Vision**  
Create innovation through the blending of people and technology while continuing to embrace change.



## External Environment

### VUCA\*1

Increase in uncertainty

1

Once-in-a-century period of major transformation in the automotive industry

- CASE\*/MaaS\*
- Power diversification
- Industry restructuring

2

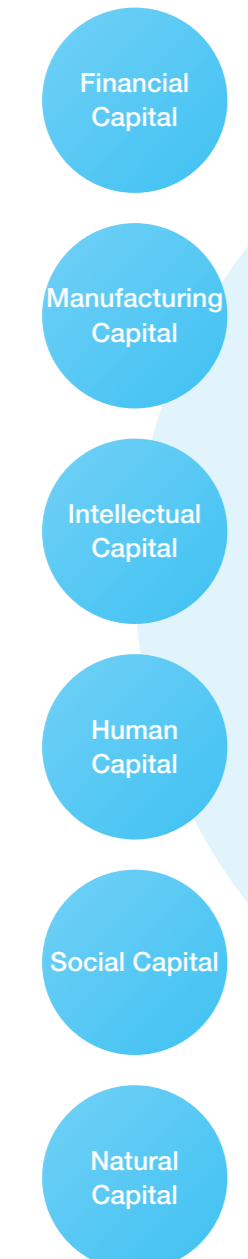
SDGs/ESG

- New industrial sectors, growing demand for functional components
- Accelerating decarbonization of society

3

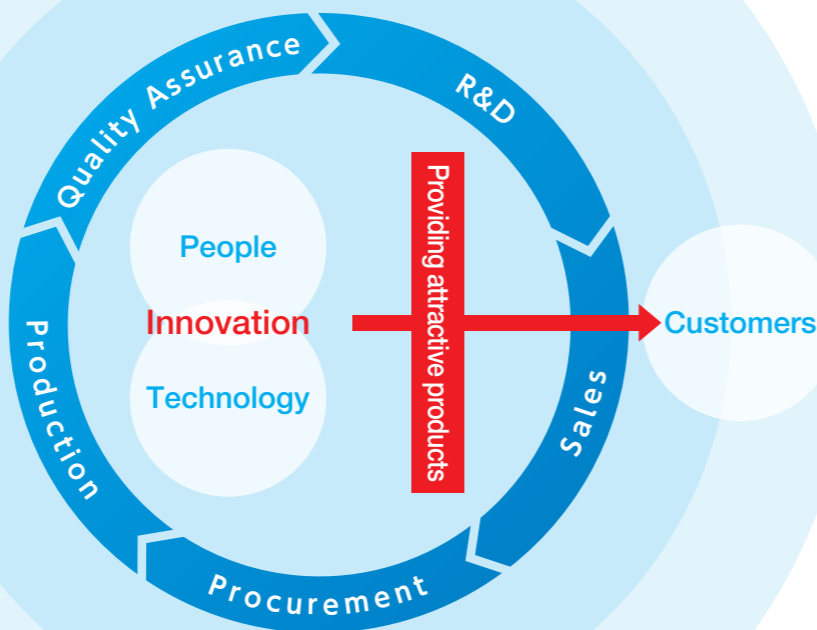
Various risks continue in the global economy and affairs

- Rising geopolitical tensions
- Disruptions in financial markets and financial systems
- Fragmentation of world trade
- Inflation and global recession



## Business Model

Provide attractive products for customers through innovation by integrating people and technology



## Businesses

- Piston ring business
- Fundamental business (precision machined parts and piping products)
- Next core business (thermal engineering, EMC, METAMOLD, new products and new businesses)

## Products and Services Offered/Output

### Attractive Products

1. Products that contribute to problem solving
2. Products with competitive prices



## Outcome

### Management Targets for FY2026 (excerpt)

Financial	
Ordinary profit ratio	9.0% or more
ROE	8.0% or more
Dividend payout ratio	40% or more*

\* FY2024-FY2026

Non-financial	
Products	
Next core business product ratio	10% or more
Environment	
Reduction of CO2 emissions (compared to FY2013)	-39%
Social and human capital investment	
Ratio of female managers (domestic/consolidated)	3% or more/7% or more

## Social Value

- Customers**
  - Contribute to solving problems, including the environmental performance of customer products
- Suppliers**
  - Contribute to the long-term, sustainable value creation of suppliers
- Shareholders and investors**
  - Provide medium- to long-term shareholder value through sustainable enhancement of corporate value (share price improvement, shareholder returns)
- Employees**
  - Provide a safe and comfortable work environment where people can work with peace of mind
  - Improve employee skills and job satisfaction through work

- Local communities**
  - Contribute to the local economy through employment, procurement, and community service activities

- Global environment**
  - Reduce environmental impact throughout the life cycle
  - Contribute to energy creation

## Value

### 'Circles' of Trust

We will enhance corporate value by respecting our relationships with our stakeholders and by providing high-quality products and solutions.

### 'Circles' of Growth

The company and employees will grow together by all employees recognizing and respecting each other's values and by continuing to take on new challenges.

### 'Circles' of Social Harmony

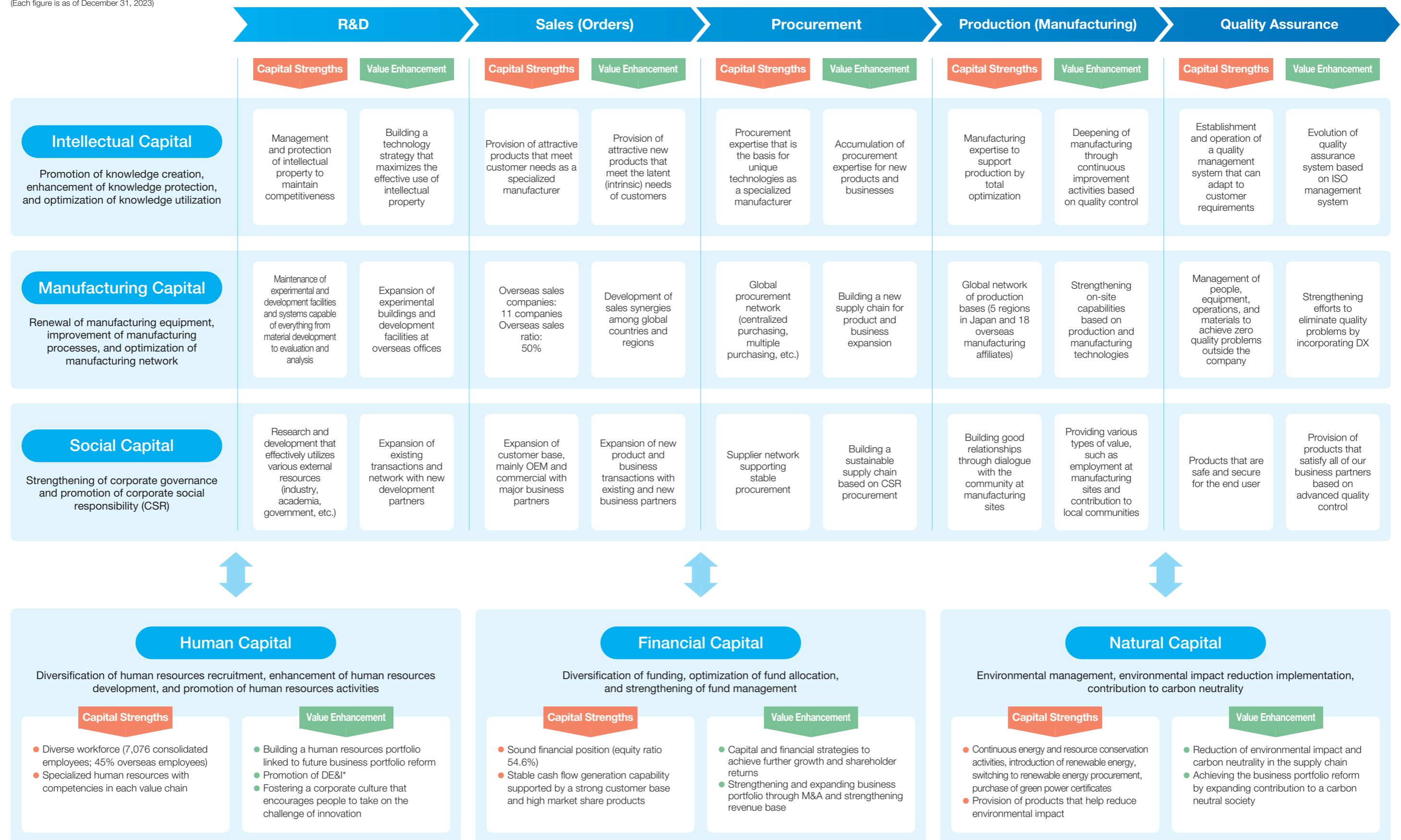
We will strive to solve social issues related to living conditions and the environment wherever we operate.

Materiality (P. 13)

\*1 VUCA: The acronym stands for Volatility, Uncertainty, Complexity, and Ambiguity. It refers to social conditions that make it difficult to predict the future.  
 \*2 CASE: The term was coined from the initial letters of Connected, Automated/Autonomous, Shared & Service, and Electrification. A concept that represents the future vision of the entire automotive industry.  
 \*3 MaaS: Abbreviation for Mobility as a Service. Next-generation transportation services that combine various IT technologies, such as automated driving and AI, with conventional transportation means and services.

# NPR-RIKEN Group Business Activity Value Chain and Capital Relationships

(Each figure is as of December 31, 2023)



\* Diversity, equity, and inclusion

# Sustainability Policy and Materiality

In December 2023, the Company's Board of Directors formulated the Sustainability Policy.

By linking these efforts to contributions to solving social issues such as the SDGs, we aim to achieve sustainable development of society and sustainable enhancement of corporate value.

## Sustainability Policy

With the mission of "Build the competencies and capabilities to sustain our present and future" as stated in our management philosophy, the Group will conduct business activities that earn the trust of our stakeholders, create unprecedented things, and sustainably enhance corporate value through the provision of high-quality products and solutions.

### Contribution to the Global Environment (Environment)

Recognizing that the preservation of the global environment is an important issue shared by all humankind, the Group will proactively work to reduce its environmental impact, including carbon neutrality.

### Respect for Diversity and Human Rights (Society)

The Group has established a policy for human resource development and internal environmental policies to ensure diversity, and understands and respects the internationally recognized principles of human rights.

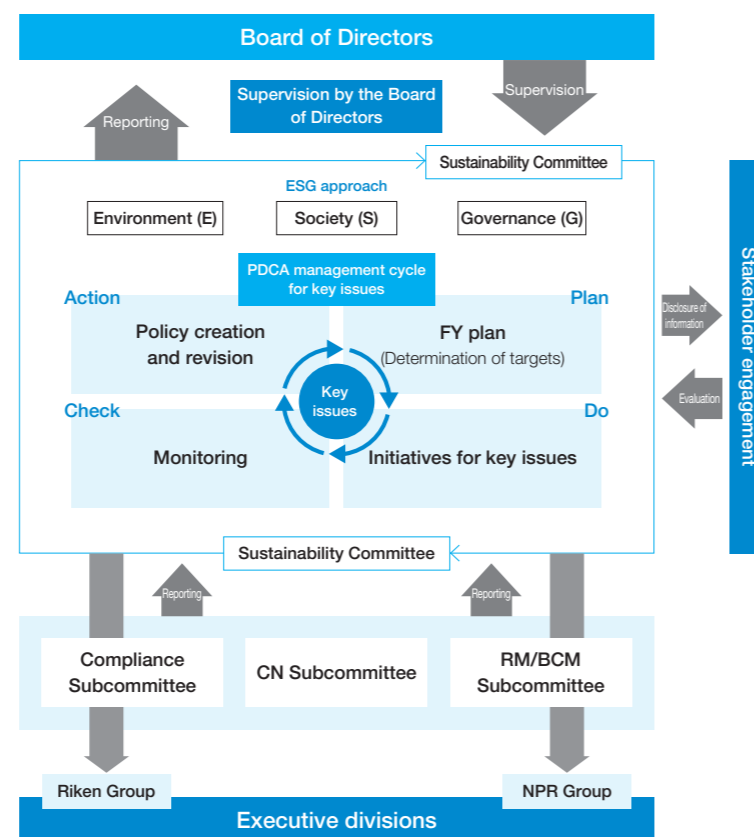
### Sound Corporate Governance (Governance)

The Group strives to enhance corporate governance based on the principles of "ensuring the rights and equality of shareholders," "appropriate collaboration with stakeholders other than shareholders," "appropriate information disclosure," "improving management efficiency, legality, and transparency," and "promoting dialogue with shareholders," as well as to understand and comply with the laws and regulations of the countries and regions in which we operate.

## Sustainability Promotion System

The Sustainability Committee, chaired by the COO, has been established under the Board of Directors to promote sustainability-related activities in a unified manner throughout the Group. The committee deliberates and decides on policies and measures related to sustainability activities, checks progress, and reports to the Board of Directors.

In addition, a Compliance Subcommittee, a Carbon Neutrality (CN) Subcommittee, and a Risk Management/Business Continuity Management (RM/BCM) Subcommittee have been established under the Sustainability Committee to promote important Group issues by sector.



## Materiality

We have identified the key sustainability issues (materiality) in our corporate activities through the following identification process. Furthermore, we will set specific initiatives/KPIs for each materiality issue and work steadily to achieve the tasks.

Area	Materiality	Issues to be addressed as part of our responsibility to society through our business	Issues to be addressed to strengthen our business foundation
Environment	1 Expansion of non-ICE* products	○	
	2 Reduction of environmental impact (carbon neutrality)	○	
	3 Strengthening collaboration with local communities	○	
Society	4 Respect for human rights		○
	5 Diversity, equity, and inclusion		○
	6 Health-oriented management and work style reform		○
	7 Strengthening of human capital investment and human resource development		○
	8 Safety and quality improvement		○
	9 Supply chain management		○
Governance	10 Enhancement of corporate governance		○

\* ICE: Internal combustion engine

## Materiality Identification Process

### Step 1 Recognize the issues

We referred to international frameworks such as the SDGs adopted by the United Nations in 2015, the UN Global Compact of 1999, and the Global Reporting Initiative (GRI), as well as the CSR Guidelines of the Japan Auto Parts Industries Association, to which we belong. We also exchanged opinions with institutional investors and experts to gather information and recognize important issues for sustainable growth with society.

### Step 2 Organize the issues

Each issue was mapped and priorities ranked according to two axes: importance to stakeholders and importance to the Group. Furthermore, after considering our current strengths and the role we should play in the future, we have organized the issues in the following two categories:

(1) issues that we should address as our responsibility to society through our businesses; (2) issues that we should address in order to strengthen our business foundation.

### Step 3 Narrow down

For each issue, we have identified those that will have a significant impact on our financial and business strategies over the medium to long term, and those that we as a group can address specifically and continuously by setting KPIs.

### Step 4 Identify

After deliberations by the Sustainability Committee and the Management Meeting on the issues identified and their positioning in the Group, the Board of Directors has resolved to identify key sustainability issues (materiality) with the aim of achieving sustainable development of society and sustainable enhancement of corporate value.

## Sustainability Targets in the Midterm Management Plan

In our First Midterm Management Plan (FY2024–FY2026), we set non-financial targets for sustainability management. In particular, we have positioned six materiality issues that we consider necessary to develop a foundation for growth as key materiality issues, organized them into four areas of ESG and human capital investment, and set KPIs for that period to promote the plan.

Area	Six major items for sustainability management	Non-financial targets	KPIs
Environment	Strengthening efforts to achieve carbon neutrality	■ GHG reductions (compared to 2013) (Scope 1 and 2)	2026: -39% 2030: -51%
Society	Promotion of DE&I* Contribution to the local communities * Diversity, equity, and inclusion	■ Ratio of female managers ■ Acquisition rate of paternity leave	3% or more (domestic) 7% or more (consolidated) 50% or more (domestic)
Governance	Improvement of corporate governance	■ Ratio of those practicing code of conduct	80% or more
Human capital investment	Improvement of employee engagement and human resource development Creation of safe and secure workplaces	■ Employee engagement ■ Investment in human resource development for employees	TBD +30% from FY2022



► Risks and Opportunities, Targets and KPIs for Each Materiality Issues

ESG	No.	Materiality	Risks	Opportunities	Initiatives	Targets and KPIs for FY2026 Initiatives	
Environment	1	Expansion of non-ICE products	<ul style="list-style-type: none"> <li>While sales of related parts account for the majority of sales, this declined due to decrease in the sales of ICE-equipped passenger cars and in demand for ICE-related parts as a result of regulations prohibiting sales as a measure to combat climate change.</li> </ul>	Secure sales and revenue by introducing differentiated and innovative products to the market, applying the Group's core technologies, in response to the expanding needs listed below. <ul style="list-style-type: none"> <li>Expanding needs for non-ICE related products</li> <li>Expanding needs for products that contribute to energy conservation/decarbonization, such as fuel-efficient technologies and engine components that burn hydrogen, biofuels, etc.</li> </ul>	<ul style="list-style-type: none"> <li>New product and business development to expand next core business</li> <li>Business portfolio reform</li> </ul>	<ul style="list-style-type: none"> <li>Next core business sales of 18 billion yen or more (5.8 billion yen in FY2023)</li> </ul>	
	2	Reduction of environmental impact (carbon neutrality)	<ul style="list-style-type: none"> <li>Difficulty in sales and reduced order intake due to our products lagging behind the competition in meeting environmental impact reduction/decarbonization needs</li> <li>Suspension of operations due to stricter regulations in cases where the use of environmentally hazardous raw materials or energy continues</li> <li>Increased costs to comply with laws and regulations due to delays in reducing CO<sub>2</sub> and hazardous substance emissions in the production process, and increased difficulty in obtaining licenses to operate</li> </ul>	<ul style="list-style-type: none"> <li>Expanding needs for products that contribute to the separation, removal, and purification of hazardous substances in the air, water, and soil</li> <li>Expanding needs for products that recycle resources and materials</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions through promotion of energy conservation and energy substitution activities, aggressive introduction of renewable energy, purchase of credits, etc.</li> <li>Reduction of environmental impact on air, water, soil, etc. (continuation of environmental management system certification)</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of CO<sub>2</sub> emissions (compared to FY2013 results) -39% (consolidated)</li> </ul>	
Society	3	Strengthening collaboration with local communities	<ul style="list-style-type: none"> <li>Community inactivity makes business activities more difficult.</li> </ul>	<ul style="list-style-type: none"> <li>Improve business continuity by becoming a company trusted by the community through community revitalization.</li> </ul>	<ul style="list-style-type: none"> <li>Continued communication with local residents and ongoing implementation and expansion of community social contribution activities that meet their needs</li> </ul>	<ul style="list-style-type: none"> <li>New social contribution initiatives</li> <li>Increase in community and disaster volunteer participation</li> </ul>	
	4	Respect for human rights	<ul style="list-style-type: none"> <li>Damaged corporate reputation among stakeholders as a company that fails to respect human rights, lowered morale, difficulty in recruiting human resources, and decreased order intake</li> </ul>	<ul style="list-style-type: none"> <li>Earn stakeholders' trust through respect for human rights and disclosure.</li> </ul>	<ul style="list-style-type: none"> <li>Preparation to conduct human rights due diligence</li> <li>Regular human rights education</li> </ul>	<ul style="list-style-type: none"> <li>Management system with human rights due diligence is working effectively.</li> </ul>	
	5	Diversity, equity, and inclusion			<ul style="list-style-type: none"> <li>Consider and implement personnel and evaluation systems and work systems that make it comfortable/motivating to work for a diverse workforce.</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of female managers 3% or more (domestic), 7% or more (consolidated)</li> <li>Ratio of male employees taking parental leave 50% or more (domestic)</li> </ul>	
	6	Health-oriented management and work style reform	<ul style="list-style-type: none"> <li>Shortage of human resources (recruitment difficulties, increased employee turnover) and low morale make stable business activities difficult.</li> <li>Damaged corporate reputation and difficulties in business activities due to inability to change business portfolio</li> </ul>	<ul style="list-style-type: none"> <li>Creation of innovation, long-term growth potential, and transformation of the business portfolio through a diverse and talented workforce gained by creating an environment where they can work and grow easily</li> <li>Improve productivity and attract talent by enabling each employee to thrive in a safe and secure work environment.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain and maintain the certification as a KIH Outstanding Organization, and improve its initiatives.</li> <li>Consider and implement new measures for work style reform.</li> </ul>	<ul style="list-style-type: none"> <li>Obtain certification as a KIH Outstanding Organization for NPR-RIKEN.</li> </ul>	
	7	Strengthening of human capital investment and human resource development			<ul style="list-style-type: none"> <li>Identify the current situation and the vision in order to build a human resource portfolio linked to the business strategy.</li> <li>Recruitment, staffing, and support for independent and autonomous career development toward the vision of the human resources portfolio</li> <li>Consider and implement a new human resources system in line with the objectives of human capital investment.</li> </ul>	<ul style="list-style-type: none"> <li>Employee engagement score (TBD)</li> <li>Investment in human resource development for employees (compared to FY2022) +30% or more (consolidated)</li> </ul>	
	8	Safety and quality improvement	<ul style="list-style-type: none"> <li>Recalls, lawsuits, etc. due to quality problems, damage to corporate reputation among stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Improve competitiveness by providing safe and high-quality products to gain customer confidence and strong support.</li> <li>Improve cost competitiveness of products by reducing quality loss costs.</li> </ul>	<ul style="list-style-type: none"> <li>Improve the group safety and health management system.</li> <li>Improve the Group's quality management system.</li> <li>Obtain quality management system certification at each manufacturing site.</li> </ul>	<ul style="list-style-type: none"> <li>Number of serious occupational accidents 0</li> <li>Number of serious quality problems 0</li> </ul>	
	9	Supply chain management	<ul style="list-style-type: none"> <li>Damaged corporate reputation among stakeholders due to human rights issues and other scandals in the supply chain</li> </ul>	<ul style="list-style-type: none"> <li>Earn stakeholders' trust through consideration of human rights throughout the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>Prepare to conduct human rights due diligence, including the supply chain.</li> <li>Introduce the NPR-RIKEN Group's sustainability management.</li> <li>Conduct and follow up on supplier CSR survey.</li> </ul>	<ul style="list-style-type: none"> <li>Management system with human rights due diligence is working effectively, including the supply chain.</li> </ul>	
	Governance	10	Enhancement of corporate governance	<ul style="list-style-type: none"> <li>Damaged corporate reputation among stakeholders, increased cost of shareholders' equity, lowered morale, and difficulty in recruiting human resources due to corporate scandals caused by poor governance and compliance or by not being seen as a transparent and healthy company</li> </ul>	<ul style="list-style-type: none"> <li>Improve business continuity and reduce the cost of shareholders' equity by becoming a company trusted by stakeholders for having excellent governance and compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Establish the code of conduct, spread awareness and call for its implementation.</li> <li>Enhance the diversity of the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Ratio of those practicing code of conduct 80% or more</li> </ul>

# Midterm Management Plan

The Group has formulated its First Midterm Management Plan (FY2024–FY2026).

## Business Environment

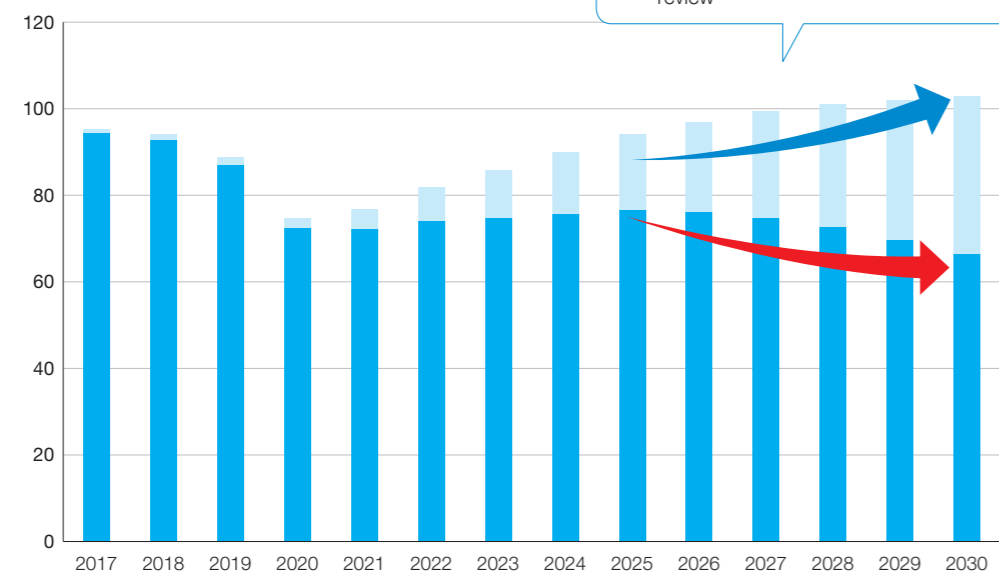
The Group's sales of parts for automobile engines, especially passenger car engines (passenger ICE), account for more than half of its total business, but the pace of technological innovation in the automobile industry, such as the development and practical application of electric vehicles and automated driving, is accelerating. In line with these changes, ICE production is expected to shrink in the market due to electrification, and the Group expects global ICE production to peak out between 2024 and 2027. Meanwhile, markets related to the Group's business, such as marine, semiconductor, construction, robotics, and medical markets, are expected to show steady and medium- to long-term demand growth.

In addition to expanding the scale of sales and revenue (increasing financial value), the Group has long been focusing on sustainability management and digitalization (increasing non-financial value), and we recognize the need to further raise the priority of these areas in our management in order to meet growing social demands and further strengthen our competitive edge.

### Automotive market

Global ICE and EV production trend forecast (million units/year)

- Number of ICE production (including HEVs, PHEVs, and range extenders)
- Number of EV production (including FCVs)



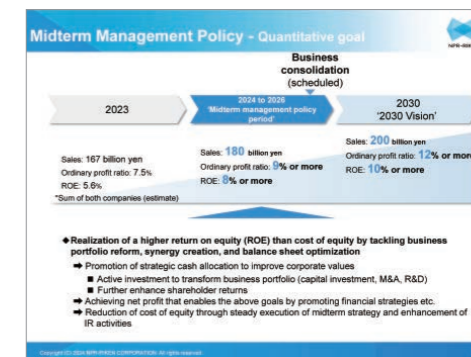
- Number of ICE production will peak out in 2024–2027
- Assumes EV ratio of over 30% in 2030
- Meanwhile, the “full EV theory” is under review

### Markets related to the Group's business

Marine	<ul style="list-style-type: none"> <li>Market expansion with economic growth, progress in alternative fuel utilization</li> </ul>
Semiconductor	<ul style="list-style-type: none"> <li>Continued trend of expansion, long-term expansion expected in manufacturing equipment market</li> </ul>
Construction	<ul style="list-style-type: none"> <li>While housing demand is declining due to the decline in the domestic population, investment in energy-saving and other measures is strong.</li> <li>Increased pre-fabrication needs due to labor shortages in the construction industry, etc.</li> </ul>
Robot	<ul style="list-style-type: none"> <li>Expanded use of robots reflecting labor shortages (medical, services, etc.)</li> </ul>
Medical treatment	<ul style="list-style-type: none"> <li>Medical device evolution, various technological sophistication</li> </ul>

## Midterm Management Policy

In this business environment, the Group has formulated a Midterm Management Policy with the pillars of “Generate synergies through consolidation,” “Reform business portfolio,” and “Strengthen sustainability management and develop a foundation for growth.” Our quantitative targets are net sales of 180 billion yen, ordinary profit ratio of at least 9%, and ROE of at least 8% in FY2026. In addition, we aim to achieve 200 billion yen in net sales, ordinary profit ratio of at least 12%, and ROE of at least 10% by FY2030.



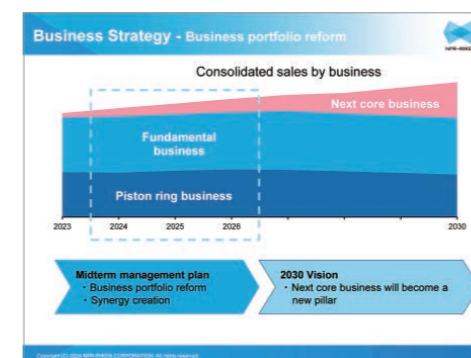
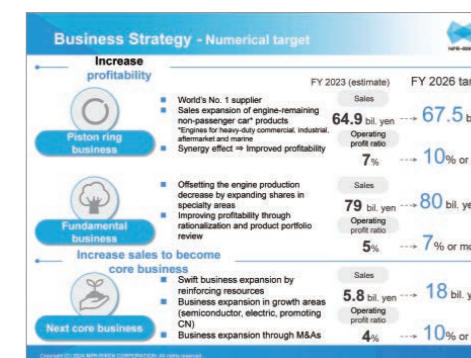
## Business Strategy

The theme of the Group's business strategy is to prepare for the future by reorganizing business portfolio to achieve sustainable sales and profit growth.

We divide the Group's businesses into three categories: (1) the piston ring business and (2) the fundamental business, which are existing businesses centering on products for automobile engines, and (3) the next core business, which is a new business that will lead the next generation of the Group. We aim to strengthen profitability in (1) the piston ring business and (2) the fundamental business, and expand sales scale of (3) the next core business and make it a core business. Sales and profit targets have been set for each business segment.

Although we anticipate that the next core business will not grow into a new business pillar until close to 2030, during the period of this Midterm Management Plan, we will allocate cash and management resources acquired in the piston ring business and fundamental business to investments in the next core business to lay the foundation for its growth.

In business portfolio reform, we will also work to identify, downsize, and withdraw from unprofitable businesses (products), in parallel with promoting investment and other initiatives.



- Financial Strategy → P. 18
- Sustainability management → P. 13
- Actions to improve stock price → P. 19

# Financial Strategy

## Basic Policy on Financial Strategy

In the Vision of our management philosophy, we have stated that we will “continue to embrace change,” and in the business strategy of our Midterm Management Policy, we have stated that we will “reorganize business portfolio to achieve sustainable sales and profit growth.” To achieve this, we will strengthen the profitability of the piston ring business and fundamental business, and expand sales scale of the next core business and make it a core business.

In order to continuously increase our corporate value now and in the future through transformation, we believe that we must have adequate sales and revenue to realize our investments, and we have set numerical financial targets in our 2030 Vision and Midterm Management Plan.

## Key Financial Targets

	Forecast for FY2023 (Simple aggregate of both companies, for reference only)	FY2026 The First Midterm Management Plan	FY2030 2030 Vision
Net sales	167 billion yen	180 billion yen	200 billion yen
Ordinary profit ratio	7.5%	9% or more	12% or more
ROE	5.6%	8% or more	10% or more

The numerical targets for FY2026 in the Midterm Management Plan set sales at 180 billion yen, ordinary profit ratio at 9% or more, and ROE at 8% or more.

We will aim to achieve our ROE target by setting it above the cost of shareholders’ equity, promoting strategic allocation of management resources and business portfolio reform, and conducting operations with an emphasis on capital efficiency, including judging the profitability of individual investments with an awareness of the cost of capital.

### Achieving profit targets

The current (FY2023 forecast) ordinary profit ratio is 7.5%, but by making strategic investments in R&D, facilities, M&A, human capital investment, and other areas essential for growth, and by increasing profitability through synergies from the three pillars of the piston ring, fundamental, and next core businesses and integration, we will achieve our FY2026 target of 9% or more, and realize the establishment of a more sustainable and larger growth base.

### Streamlining assets

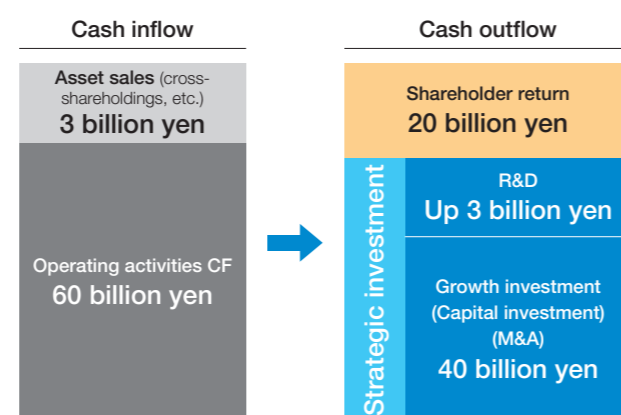
In order to improve capital efficiency, it is also essential to improve asset efficiency. We will work on improving working capital and selling cross-shareholdings and other assets. In particular, in terms of cross-shareholdings, we plan to sell 3 billion yen, and we will take further steps to optimize our balance sheet while keeping an eye on our financial situation.

### Distribution of cash generated

During the period of our Midterm Management Plan (FY2024–FY2026), we plan to generate a cumulative total of 63 billion yen through business growth and asset sales. About two-thirds of this amount will be allocated to strategic investments to achieve further growth (business portfolio reforms, maintenance and expansion of the earnings base, human investment, etc.), and the remainder will be allocated to shareholder returns and distributed appropriately.

### Cash management

We monitor the movement of funds within the Group from time to time, and through dividends and the cash management system (CMS), we consolidate funds dispersed among the companies and invest as appropriate, concentrating on those companies where it is needed for business portfolio reform and other purposes.



Slated for Midterm Management Plan period (FY2024–FY2026)

## Strategic Investment

We will strategically implement medium- to long-term capital investment and R&D, as well as M&A, even in a rapidly changing business environment, to continuously improve our corporate value.

Each implementation policy will be formulated and carried out in accordance with the business strategy of reorganizing business portfolio to achieve sustainable sales and profit growth, which is stated in the Midterm Management Policy and Midterm Management Plan, and in line with the portfolio classification, taking into account capital cost.

### Investment policy by portfolio classification

	Capital investment	M&A	R&D
Next core business	Investments for sales scale expansion to become core business		
	• Carbon neutrality (CN) related investments		
Piston ring and fundamental businesses	Investments for strengthening (stabilizing) profitability		
	• Equipment installation with an awareness of enhancing cost competitiveness • CN-related investments		• Differentiation of existing products • Development and commercialization of fuel-efficient technologies, hydrogen engines, biofuels, etc., which contribute to CN

Proactive allocation

### Human Resources → P. 28

## Shareholder Return

Our basic policy for the distribution of retained earnings is to continue to pay stable dividends (twice a year, interim and year-end dividends), while considering the balance between investment for growth and corporate value enhancement and financial soundness.

The Company’s Articles of Incorporation stipulate that interim dividends may be paid, and the decision-making body for interim dividends is the Board of Directors, so as to enable flexible distribution of retained earnings, while year-end dividends are determined by the Board of Directors or the General Meeting of Shareholders.

We aim to increase the dividend payout ratio from the current level of about 30% on a consolidated basis to more than 40% during the period of the Midterm Management Plan (FY2024–FY2026).

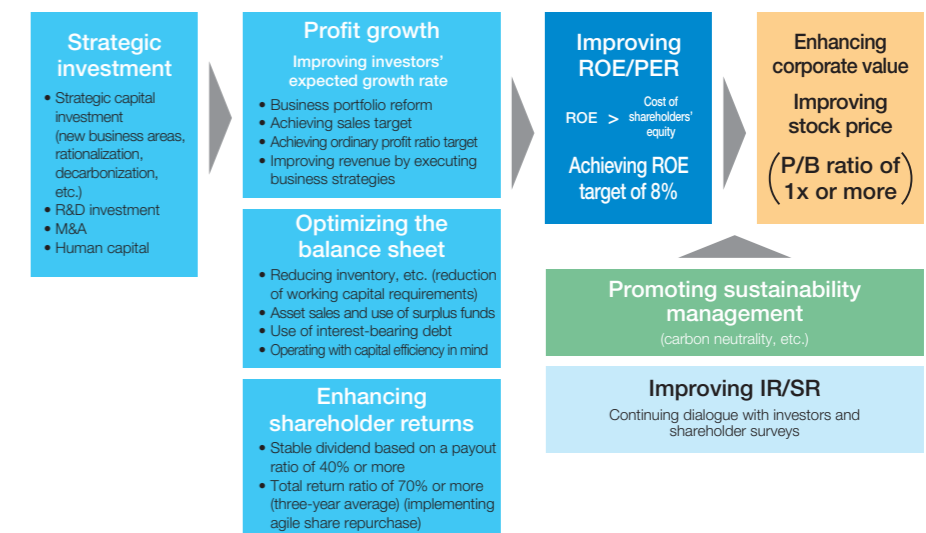
With respect to acquisition of treasury stock, we intend to flexibly implement this while keeping in mind capital efficiency and total return ratio, and plan to acquire 10 billion yen of treasury stock during the period of the Midterm Management Plan (FY2024–FY2026).

As for the total return ratio, the Company aims to achieve a three-year average of 70% or more during the period of the Midterm Management Plan (FY2024–FY2026), including dividends and acquisition of treasury stock, and as a result, the DOE for FY2026 is expected to be 3%.

The Company plans to pay a year-end dividend of 70 yen (ordinary dividend of 45 yen and commemorative dividend of 25 yen) for FY2023.

## Improving P/B Ratio

We aim to increase corporate value and stock price (P/B ratio of 1x or more) by improving ROE and reducing cost of shareholders’ equity through profit growth, improving investors’ expected growth rate, optimizing the balance sheet, strengthening shareholder returns, promoting sustainability management, and improving IR and SR.



# Environment

## Basic Approach

NPR-RIKEN Group's management philosophy pledges to respect our relationships with our stakeholders, and we have identified the "reduction of environmental impact" as a materiality issue of our corporate activities. To realize this goal, we have formulated an Environmental Policy and a medium- to long-term vision, and are promoting activities accordingly.

### Environmental Policy

We recognize that the preservation of the global environment is an important issue common to all humankind, and we will implement the following actions Group-wide.

#### 1. Legal compliance

We will comply with environmental laws and regulations and work to prevent environmental pollution through open and fair activities.

#### 2. Environmental conservation

We aim to achieve carbon neutrality through efficient use of resources and energy, and work to reduce our environmental impact and improve our environmental performance.

#### 3. Product development

We will contribute to solving environmental social issues by developing environmentally friendly products and providing them to our customers.

#### 4. Continual improvement

We will operate and utilize our environmental management system globally to achieve our environmental goals.

#### 5. Contribution to the local community

As a member of the local communities in which we operate, we will actively engage in support and cooperation activities for environmental protection with an awareness of biodiversity.

## Key Issues and Promotion System

We are working to reduce environmental burdens by defining the Vision for FY2030 (long-term policy) and FY2026 (the final year of the First Midterm Management Plan), and incorporating them into key issues and promotion plans.

The environmental divisions of Riken and Nippon Piston Ring, our two main operating subsidiaries, are working together to further reduce environmental impact and protect the environment through business integration.

In addition, key issues and promotion plans are developed in each division and affiliated company and incorporated into specific action plans, and progress is reported at each Environmental Committee meeting to enable checking and follow-up.

In addition, to prevent recurrence and occurrence, we have a system in place for immediate reporting of environmental accidents and other defects and for immediate countermeasures.

Key issues	Vision for FY2026	Critical implementation items
<b>Zero environmental accidents and complaints</b>	Effective environmental management systems in place	Operation of an environmental management system based on the PDCA cycle
<b>Zero landfill waste, industrial waste recycling rate of 85% or more (2030)</b>	Constant implementation of 3R measures, visualization of effectiveness and efficiency (recycling rate: 83%, reduction of landfill waste)	Recycling of resources through sorting, promotion of recycling of final disposal waste
<b>Contribution to biodiversity conservation</b>	Well-established as a business activity, with contributions being recognized	Participation in local environmental protection activities

### Environmental management systems

We have introduced and are promoting the ISO 14001 Environmental management systems, an international standard, in order to establish a management system that protects the environment and responds to changing environmental conditions while balancing socio-economic needs.

**Certification status:** Obtained at all domestic and overseas manufacturing sites of the Group. (100%)

### Non-compliance with environmental laws and regulations, occurrence of incidents, and corrective measures

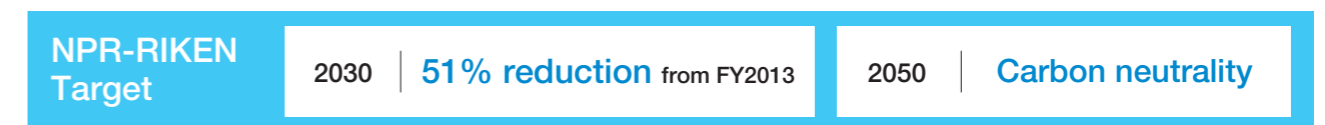
The NPR-RIKEN Group (NPR-RIKEN and domestic affiliates) had no cases of environmental pollution (environmental complaints and violations of environmental laws and regulations) in FY2023. We will continue to thoroughly monitor air, water, noise, vibration, odor, etc., and systematically implement source control measures in order to reduce the generation of pollution to zero. In addition, we will prevent sudden environmental accidents by conducting emergency response training and thorough daily management.

## Efforts to Achieve Carbon Neutrality (Reduction of CO<sub>2</sub> Emissions)

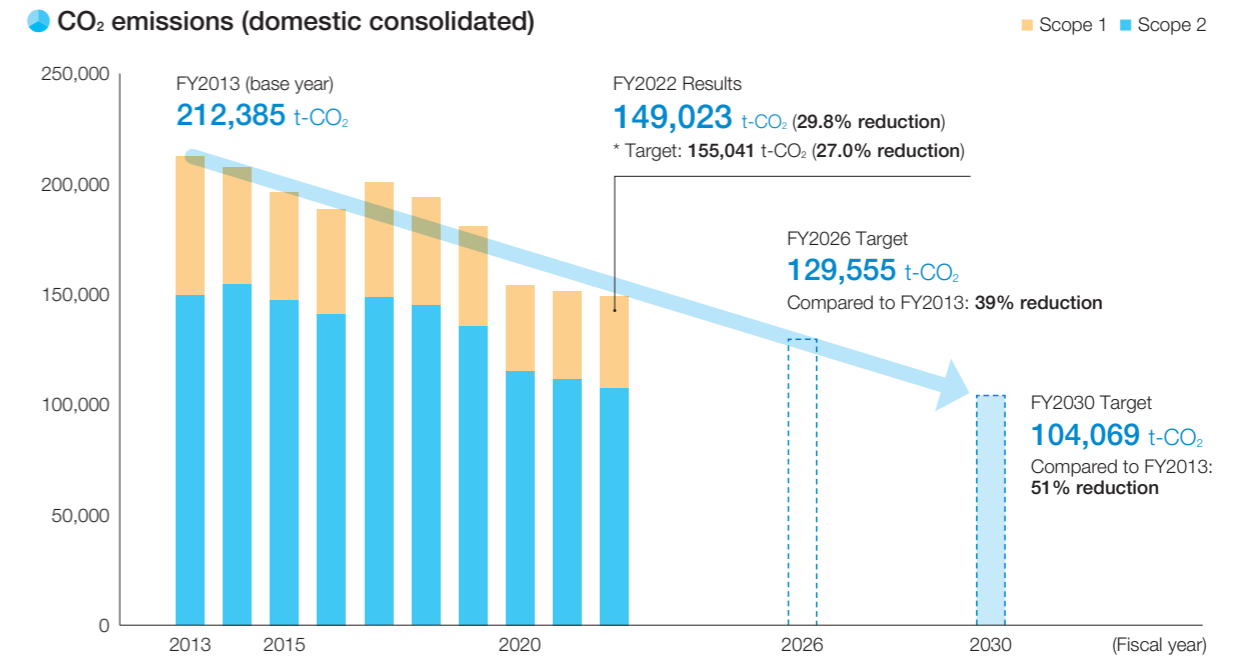
The Group has identified the strengthening of carbon neutrality initiatives as a key sustainability management item in its Midterm Management Plan.

We aim to reduce CO<sub>2</sub> emissions from our business activities to virtually zero by 2050, and have set a CO<sub>2</sub> emissions reduction target for the milestone year of 2030 (Scope 1 and 2 domestic consolidated). To achieve this goal, we set single-year targets, and we are planning and implementing measures in each of the four pillars: promotion of energy conservation, promotion of energy substitution activities, aggressive introduction of renewable energy, and purchase of credits.

We will also promote efforts to reduce CO<sub>2</sub> emissions in a wider scope of supply chains in the future by setting targets on a consolidated basis, including overseas, and by identifying Scope 3.



### CO<sub>2</sub> emissions (domestic consolidated)



### CO<sub>2</sub> emission reduction activities

Classification	Scope 1	Scope 2
<b>Energy conservation</b>	<ul style="list-style-type: none"> <li>Reuse of used steam and waste heat</li> <li>Pipe heat insulation (boiler)</li> </ul>	<ul style="list-style-type: none"> <li>LED lighting</li> <li>Reduction of compressor power (measures against supply interruption per building and air leakage)</li> <li>Pipe heat insulation (electrolytic furnace, washer)</li> </ul>
<b>Renewable energy</b>	—	<ul style="list-style-type: none"> <li>Purchase of non-fossil certificate (CO<sub>2</sub> free electricity)</li> <li>On/off-site PPA x solar/wind/hydropower</li> <li>Private solar power generation</li> </ul>
<b>Energy substitution</b>	<ul style="list-style-type: none"> <li>Electric furnace conversion of cupola</li> </ul>	—
<b>Credit</b>	<ul style="list-style-type: none"> <li>Introduction of carbon neutral city gas</li> </ul>	<ul style="list-style-type: none"> <li>Purchase of J-Credit</li> </ul>

Case studies of CO<sub>2</sub> emission reduction activities

**Installation of solar panels at Ichinoseki Plant (Iwate) (November 2023)** Annual CO<sub>2</sub> reduction 1,111 tons

Solar panels (4,212 panels, 2,380 kW) have been installed on the roof of the Ichinoseki Plant (Iwate) building to generate 8.1% of the plant building's annual usage, which is expected to reduce annual CO<sub>2</sub> emissions by 1,111 tons.



**CO<sub>2</sub> offset by purchasing J-Credits (from 2022)** Annual CO<sub>2</sub> reduction 50 tons

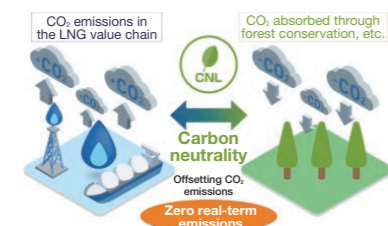
We purchase forest absorption credits managed by TOCHIMOU Wood Industry from Tochigi Prefecture, where our manufacturing base is located. These are credits that are certified for appropriate forest management, such as thinning, and contribute to the promotion of sustainable forestry and the prevention of global warming.



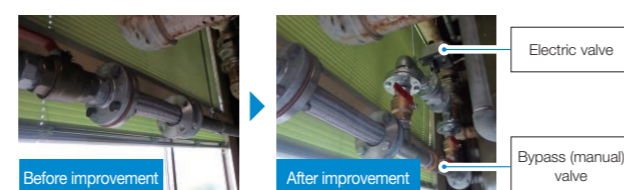
**Introduction of carbon neutral city gas (from August 2023)** Annual CO<sub>2</sub> reduction 1,600 tons

By switching a portion of the LNG used at the Kashiwazaki Plant to carbon neutral LNG, we expect to reduce annual global CO<sub>2</sub> emissions by 1,600 tons.

Carbon neutral LNG is LNG in which the greenhouse gases produced in the process of natural gas extraction and combustion are offset by CO<sub>2</sub> credits.



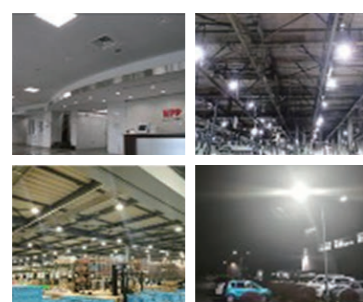
**Reduction of compressor power by stopping air supply per building (from August 2022)** Annual CO<sub>2</sub> reduction 44 tons



By installing an electric valve on the factory building entrance piping, controlling it with a schedule timer, and stopping air sharing on holidays, the annual electricity consumption of the compressor was reduced by 7,960 kWh and annual CO<sub>2</sub> emissions by 44 tons.

**Reduction of electricity consumption by switching to LED lighting** Annual CO<sub>2</sub> reduction 645 tons

We are gradually converting the lighting used in our factories and headquarters building to LED. We also promote energy conservation by using motion sensors and frequently turning off lights. The use of LEDs is being systematically promoted and is an ongoing effort.

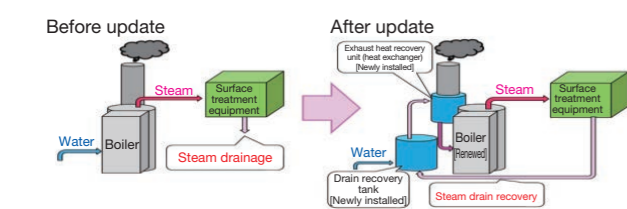


**Reduction of compressor power by air leakage control (from January 2023)** Annual CO<sub>2</sub> reduction 91 tons

The factory sends compressed air generated by a compressor to each piece of equipment, and when the air leak viewer was used to identify the leakage points, there were many areas where air was leaking. We are efficiently and effectively addressing these leakage points and reducing compressor power consumption.

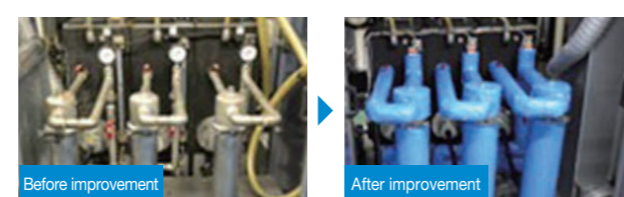


**Reduction of heavy oil consumption through reuse of used steam and waste heat (from January 2021)** Annual CO<sub>2</sub> reduction 76 tons



Steam used in the surface treatment process of products was conventionally heated tap water in a boiler and the steam was drained after use. By recovering this steam and further preheating it using exhaust heat from the boiler, the amount of heavy oil used to produce high-temperature steam has been reduced.

**Reduction of electricity consumption by heat insulation of washing machine piping** Annual CO<sub>2</sub> reduction 30 tons



Glass wool is used to insulate the filters and piping of washers in the plant, thereby reducing the heat dissipation of circulating hot water from the washers' piping. By sequentially rolling out these measures to other facilities of the same type, a total of about 30 tons of CO<sub>2</sub> were reduced.

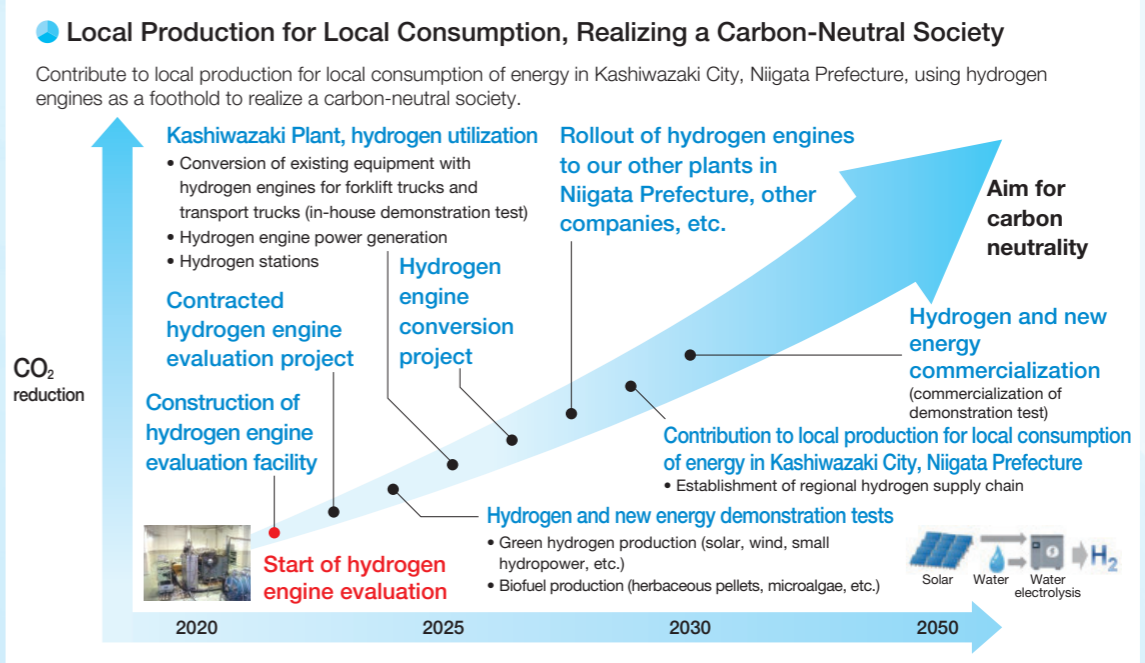
# Toward a Green Society

We have established the Hydrogen & Alternative Energy Project Department with the aim of realizing local production for local consumption of energy and carbon-neutral society, through active participation in hydrogen energy-related businesses by maximizing our knowledge of engines and our technical capabilities in seals and tribology. These businesses include the development of engines and parts that burn hydrogen, synthetic fuels (e-fuel, etc.), and biofuels, which are next-generation fuels that are carbon neutral in internal combustion engines.

## Direction of Hydrogen and New Energy Businesses

We have set our business direction for 2050, the year in which we will achieve carbon neutrality as a society, and for 2030, the milestone year, and are working to realize a clean society through the following three pillars.

- A** Activities that contribute to the diffusion of hydrogen engines in society
- B** Activities that expand the use of hydrogen engines in our company
- C** Activities that contribute to local production for local consumption of clean energy



## Evaluation of hydrogen engines and taking on the challenge of conversion to hydrogen engines

Our wholly owned subsidiary, Riken Corporation's Kashiwazaki Plant has four dedicated bench rooms (as of April 2024) that can evaluate actual hydrogen engines, and is capable of evaluating large engines for heavy trucks and construction machinery.

We have been cooperating as an external participant in the Ministry of the Environment's "Demonstration Project for Decarbonization of Heavy Duty Vehicles by Utilization of Hydrogen Internal Combustion Engine," and have evaluated actual hydrogen engines and supplied piston rings for hydrogen engines.

In addition, we believe that it is most important not only to evaluate actual hydrogen engines and develop piston rings for hydrogen engines, but also to accumulate testing and evaluation know-how by running vehicles equipped with hydrogen engines on actual roads, in order to popularize the use of hydrogen engines. We are now planning to convert light-duty trucks used at the Kashiwazaki Plant with hydrogen engines and use them in actual business activities to test them. In FY2023, as the first step of this plan, we converted two types of engines (photo on the right) to hydrogen engines on our own and started evaluation of actual engines on our expanded engine bench.

Through these activities, we will work toward the goal of realizing hydrogen utilization, including hydrogen engine vehicles, and hydrogen engine conversion projects in the region.



Hydrogen and diesel co-firing engine

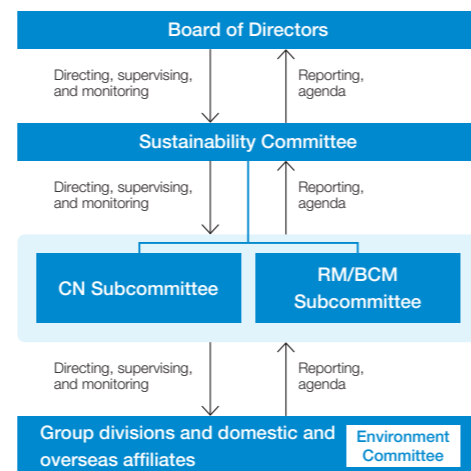


Hydrogen-only dedicated combustion engine

# TCFD Climate-Related Disclosures in Line with the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)

## Governance

The Group recognizes that environmental issues, including climate change, are important management issues and has established a Sustainability Committee (chaired by the COO) to address them. The Sustainability Committee evaluates the progress of specific activities, such as CO<sub>2</sub> emissions reduction and carbon-neutral activities, and the development of new products that contribute to these activities. In addition, to ensure effectiveness, we are working together with each division at Group companies to promote specific measures. The Carbon Neutrality (CN) Subcommittee, a specialized subcommittee under the Sustainability Committee, is established to handle carbon neutrality, which is important in addressing climate change, and the specialized divisions of operating subsidiaries (Riken: Carbon Neutral Department, Nippon Piston Ring: Sustainability Promotion Office) serve as the secretariat. In addition, each of our operating subsidiaries has established an Environmental Committee to promote the implementation of plans related to other environment-related matters.



## Strategy

In order to achieve sustainability management, the Group recognizes the importance of analyzing climate change based on its impact on business and the resulting risks (transition risk, physical risk) and opportunities, and ensuring that appropriate responses are reflected in corporate management. Based on this idea, we have identified and addressed risks and opportunities as follows, assuming two scenarios: one in which climate change measures are promoted (NZE, 1.4°C in 2100) and the other in which existing policies are allowed to take place (STEPS, 2.5°C in 2100).

### Analysis objectives and assumptions

Scope of coverage	Applicable period	Area	Main adoption scenarios
All businesses	2023–2030 <small>(Physical risk is up to the year 2050.)</small>	Countries and regions of operation of NPR-RIKEN Group	Transition risk: IEA NZE scenario, STEPS Physical risk: SSP5-8.5

## Identification of major risks

Type	Identified risks	Time frame/Possibilities	Impact	Type	Major potential financial impacts	Countermeasures
Transition risk	Regulations Expansion of regulations banning the sale of ICE vehicles	Medium to Long term / Over 50%	Large	Decrease in sales	<ul style="list-style-type: none"> <li>While sales of passenger ICE related parts account for the majority of the piston ring business sales (FY2023 forecast: 64.9 billion yen), this declined due to decrease in the sales of ICE-equipped passenger cars and in demand for passenger ICE-related parts as a result of regulations prohibiting sales as a measure to combat climate change.</li> <li>In both STEPS and NZE scenarios, the ratio of BEV sales in 2030 is expected to increase (as of 2022: 10%; 2030 Light-duty-vehicles = passenger cars: 40%–60%). Even if there is no change in the market share of the sales of ICE-related parts for passenger cars, sales may be lost as demand for ICE-equipped passenger cars declines.</li> </ul>	<ul style="list-style-type: none"> <li>In the First Midterm Management Plan (FY2024–FY2026), the Company will aggressively invest in the next core business, which involves non-ICE and growing sectors (semiconductors, electrification, and carbon neutrality), with the goal of increasing sales from the current 5.8 billion yen to 18 billion yen and making it one of the pillars of business by FY2030.</li> </ul>
	Carbon taxation	Medium to Long term / Over 50%	Large	Increase in cost	<ul style="list-style-type: none"> <li><b>CO<sub>2</sub> emissions in the production process</b> 149,000 t-CO<sub>2</sub> based on sales plans by business and sales forecasts by region, if production continues as is (Scope 1 + 2 domestic consolidated)</li> <li><b>Carbon tax (2030)</b> \$140/t-CO<sub>2</sub> (developed countries in the IEA NZE scenario). The maximum total carbon tax burden in FY2030 (NZE scenario) would be 21 million dollars = 3.1 billion yen in the current course (same emissions as in FY2022), with a significant impact on profit and loss (equivalent to 30% of FY2022 ordinary profit).</li> </ul>	<ul style="list-style-type: none"> <li>Set a target to reduce total CO<sub>2</sub> emissions in FY2030 (–51% compared to FY2013) in order to achieve carbon neutrality by FY2050.</li> <li>Work on energy conservation, aggressive introduction of renewable energy, energy substitution, and introduction of credits.</li> <li>Introduce the internal carbon pricing (ICP) system and aggressively promote capital investment that leads to CO<sub>2</sub> emissions reduction.</li> </ul>
Physical risk	Acute Suspension of operations due to increased frequency and scale of climate disasters (especially internal water damage caused by typhoons or abnormal rainfall)	Medium to Long-term / Very low (once in 1000 years)	Large	Increase in cost	<ul style="list-style-type: none"> <li>Assumed maximum flooding of 3.0 m at the Kumagaya Plant in the event of river rise, overflow, or levee failure caused by rainfall of an assumed maximum scale. Similarly, there are fears of flooding due to abnormal rainfall at domestic affiliated manufacturing companies and manufacturing subsidiaries. Assumes restoration costs due to flooding as a risk case. (Overseas sites are under examination.)</li> <li>Estimated maximum amount of damage and restoration costs at the Kumagaya Plant is about 4 billion yen (not yet estimated for domestic affiliated manufacturing companies and manufacturing subsidiaries).</li> </ul>	<ul style="list-style-type: none"> <li>Conduct material preparation and periodic installation drills at the Kumagaya Plant, including renovation work and water sealing at the site. Domestic affiliated manufacturing companies and manufacturing subsidiaries are also taking similar measures depending on the scope of estimated damage and business activities of each company.</li> </ul>
	Chronic Decrease in production and suspension of operations due to drought caused by climate change	Medium to Long-term	Large (2 consolidated manufacturing subsidiaries in India)	Decrease in sales	<ul style="list-style-type: none"> <li>Fears of decrease in sales due to reduced production and suspension of operations caused by drought at two manufacturing subsidiaries located in India, which are considered to have a high medium- to long-term drought risk.</li> </ul>	<ul style="list-style-type: none"> <li>Proceed with consideration of installing a water circulation system and a water storage tank (cistern).</li> </ul>

## Identification of major opportunities

Type	Identified opportunities	Time frame/Possibilities	Impact	Type	Major potential financial impacts	Countermeasures
Products & services	Popularization of ICEs that achieve low fuel consumption and reduce CO <sub>2</sub> emissions, supply infrastructure for new energy sources, including hydrogen, which is carbon neutral, as well as ICEs that burn them.	Medium to Long term / High	Large	Increase in sales	<b>Increased sales due to higher demand for ICE parts that achieve low fuel consumption and for ICE parts compatible with carbon-neutral fuels</b> <ul style="list-style-type: none"> <li>In the long term, mobility will be powered by fuel cells, batteries, and ICEs that burn carbon-neutral fuels (hydrogen, biofuels, e-fuel, etc.), and the demand for related products in each of these areas is expected to grow.</li> <li>Sales growth can be expected by applying and leveraging each of the Group's existing business capitals to establish a firm position in the development, manufacture, and sale of ICE parts, especially those compatible with carbon-neutral fuels.</li> <li>Demand for biofuels in the transportation sector in 2030 is expected to be about 1.5 to 2 times higher than in 2023 (IEA STEPS to NZE scenario).</li> </ul>	<ul style="list-style-type: none"> <li>Maintain the same level of sales related to ICE parts by substituting them with ICE parts that achieve even lower fuel consumption and those designed for carbon-neutral fuels.</li> <li>R&amp;D expenditures for the three years through FY2023 is 12 billion yen, with the majority related to ICE parts. In the First Midterm Management Plan, R&amp;D investment for FY2024–FY2026 is expected to total 15 billion yen over the three-year period. As we focus on investment in the Next Core Business, the ratio of ICE parts will decrease, but we will increase the efficiency of these parts and allocate them to the development of fuel-efficient and carbon-neutral parts.</li> <li>Actively participate in private, industry, and academic carbon-neutral fuel engine commercialization projects with the prospect of replacing existing diesel engines for ships and medium- and heavy-duty trucks with methanol, ammonia, and hydrogen engines, and prepare for the launch of the hydrogen engine conversion project.</li> </ul>
	In the industrial sector, electrification, or switching from fossil fuels to electricity as a heat source, has progressed in order to reduce CO <sub>2</sub> emissions and achieve zero CO <sub>2</sub> emissions when combined with renewable energy.	Medium to Long term / High	Large	Increase in sales	<b>Increased demand for thermal engineering products including heating elements</b> <ul style="list-style-type: none"> <li>With the global trend toward reducing environmental impact through improved energy efficiency and achieving carbon neutrality, the shift from the use of fossil fuel energy to the use of electrical energy (and more advanced renewable energy-derived electricity) is expected to accelerate, and demand for thermal engineering products is expected to further expand.</li> <li>Thermal engineering products main customers: steel, materials, semiconductor industries, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Set a target in the Midterm Management Plan to increase sales of the Next Core Business, which includes the thermal engineering business, from 5.8 billion yen (forecast for FY2023) to 18 billion yen (for FY2026), and aggressively invest in this business.</li> </ul>
	Growing demand for electric vehicles (BEVs)	Medium to Long term / High	Large	Increase in sales	<b>Growing demand for electric vehicle parts and increased sales due to growing demand for electric vehicles (BEVs)</b> <ul style="list-style-type: none"> <li>In both STEPS and NZE scenarios, the ratio of BEV sales in 2030 is expected to increase (as of 2022: 10%; 2030 Light-duty-vehicles = passenger cars: 40%–60%).</li> <li>Increasing the ratio of sales of BEV parts instead of ICE parts is expected to increase sales.</li> </ul>	<ul style="list-style-type: none"> <li>In the Midterm Management Plan, the Company will aggressively invest in the Next Core Business, which involves non-ICE and growing sectors (semiconductors, electrification, and carbon neutrality), with the goal of increasing sales from 5.8 billion yen (forecast for FY2023) to 18 billion yen (for FY2026) and making it one of the pillars of business by FY2030.</li> </ul>
	Increased severity and frequency of natural disasters/extreme weather events (heavy rain, floods, typhoons, water shortages, etc.)	Medium to Long-term	Medium	Increase in sales	<b>Increased demand for disaster preparedness products</b> <ul style="list-style-type: none"> <li>Demand for disaster prevention and mitigation products is expected to grow as disasters caused by extreme weather events, both domestic and international, become more frequent and severe.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to contribute to the disaster medical area and acquire new commercial rights.</li> </ul>

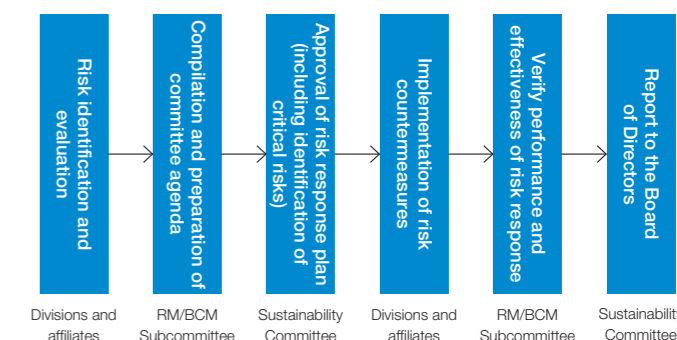
\* Social issues other than climate change: In response to the aging and declining population, the Group expects positive financial results from the promotion of the development of medical components that support advanced medical care (minimally invasive and highly biocompatible medical component products), piping fittings that are easy to install and error-resistant in response to a decrease in the number of workers at construction sites, and special motor components, motors, reduction gears, and high-function engineered plastic products that support improved productivity in the industrial and agricultural fields.

Note: Risk of financial impact on ordinary profit: large (500 million yen or more), medium (100 to 500 million yen), small (100 million yen or less)

## Risk Management

Led by the Risk Management/Business Continuity Management (RM/BCM) Subcommittee under the Sustainability Committee, the Group identifies and assesses risks within the Group, prioritizes them, formulates a risk response plan, manages the progress of the plan, and reports to the Board of Directors.

In addition to risks related to climate change, this process also assesses risks related to business risk, information security, and compliance.



## Indicators and Targets

The Group aims to reduce CO<sub>2</sub> emissions from its business activities to virtually zero by 2050. As a milestone toward achieving this goal, we have set a reduction target for FY2030, and are promoting activities such as energy conservation and aggressive introduction of renewable energy, and checking the status of achievement. In addition, we will continue to monitor Scope 3 emissions and take steps to reduce them.

Our business goal is to increase the sales ratio of the Next Core Business (business sectors: carbon neutrality, semiconductors, CASE, compact mobility, robots, and medical) over the medium to long term, and we will work to reduce the ratio of the sales of ICE-related products for passenger cars.

Fiscal year	Results		Target		
	2013	2022	2026	2030	2050
CO <sub>2</sub> total emissions (Scope 1 + 2) [t-CO <sub>2</sub> ]	Benchmark 212,385	— 149,023	–39% 129,555	–51% 104,069	<b>Carbon neutrality</b>

# Quality

## ▶ Basic Approach

Quality assurance is one of our materiality issues, and improving the quality of our products, the quality of our services, and the quality of work of all our employees to enhance customer satisfaction is essential to the continuity of our company. Aiming for safe, high-quality manufacturing that can be used with peace of mind, we are working to prevent quality problems and improve process assurance.

The Group has established and is operating a quality management system based on three guiding principles under the Quality Policy “We will provide high-quality products and services that bring trust and excitement to our customers.”

### Quality Policy

We will provide high-quality products and services that bring trust and excitement to our customers.

#### 1. Compliance with laws, regulations, and standards

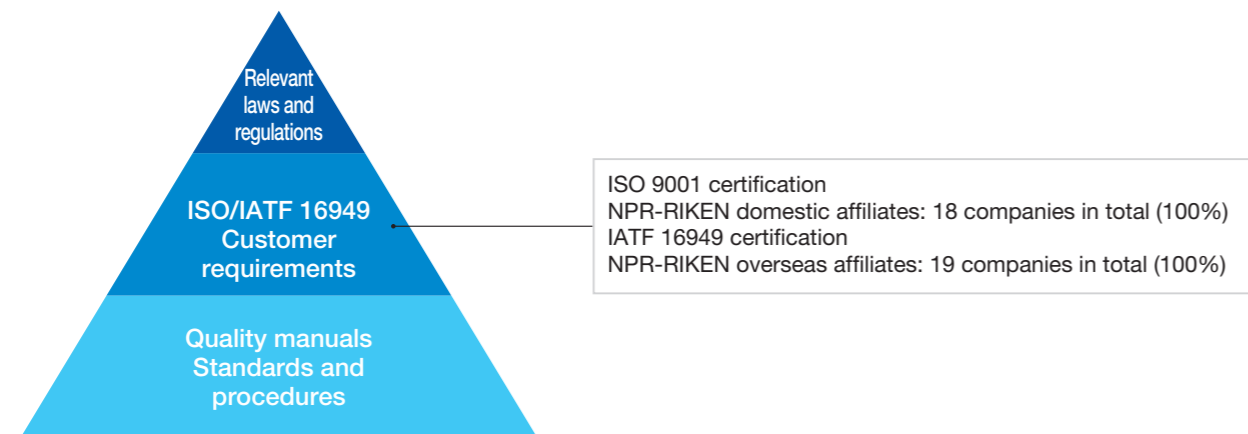
We will strive to foster a corporate culture that enables compliance with laws, regulations, and internal standards, and to enhance trust.

#### 2. Improving customer satisfaction

We will improve the quality of everything we do and meet diverse customer requirements with both quality and economic efficiency.

#### 3. Promoting continual improvement

We will promote continuous improvement through the use of our quality management system, with all employees having a high level of quality awareness.



## Quality Management System

The NPR-RIKEN Group has obtained ISO 9001, the international certification for quality management systems, and has additionally acquired IATF 16949 (formerly ISO/TS 16949) certification in response to trends in the automotive industry, and is making concerted efforts to further enhance the reliability of its stakeholders in Japan and overseas. Nippon Piston Ring, which manufactures materials for medical devices, parts for medical devices, implant products, and other medical devices, has also acquired the international certification EN ISO 13485.

As part of our quality management system improvement activities, we are working to improve the system for providing good products and services produced by the Group through training to strengthen the auditing function and conducting regular audits.

## Quality-Related Incidents and Corrective Actions

In FY2023, no serious quality complaints leading to recalls occurred, including at domestic and overseas affiliates.

### ● Quality awards by customers (FY2023)

#### Leading examples

- **Yamaha Motor Co., Ltd.:** GLOBAL AWARD for excellence in Quality
- **Toyota Motor Corporation:** Outstanding Quality Control Award (three consecutive years)



# Procurement

## ▶ Basic Approach

As stated in the Value section of our Group Philosophy, we aim to enhance both the corporate value of our Group and the coexistence and co-prosperity with our supply chain partners.

To this end, we have established a Procurement Policy that promotes open and fair procurement activities by comprehensively evaluating and selecting suppliers and contractors of goods and services from the perspectives of price competitiveness, quality, delivery time, environmental impact, CSR initiatives, and business continuity, while building partnerships for coexistence and co-prosperity.

### Procurement Policy

1. Fair and transparent purchasing transactions
2. Legal compliance
3. Building partnerships  
(▶ Partnership Building Declaration [https://www.npr-riken.co.jp/sdgs/pdf/pdf\\_08.pdf](https://www.npr-riken.co.jp/sdgs/pdf/pdf_08.pdf))
4. Reduction of environmental impact (promotion of green procurement)
5. Responsible mineral procurement



## Promoting CSR Procurement

The Group believes that the promotion of CSR procurement is essential for coexistence and co-prosperity with suppliers in the supply chain. To this end, we conduct ongoing in-house education and awareness programs to ensure compliance with laws and regulations such as the “Act on the Promotion of Subcontracting Small and Medium-sized Enterprises” and the “Appropriate Subcontracting Guidelines,” as well as industry policies.

In addition, the Group is committed to social responsibility initiatives in various areas, including the environment and safety, and has established the NPR-RIKEN Code of Conduct, which outlines actions that employees should practice, and is being communicated to all employees. We believe it is important that our suppliers understand these initiatives and share our awareness while working in tandem, so in April 2024 we published the NPR-RIKEN Supplier CSR Guidelines.

Going forward, we will familiarize our suppliers with these guidelines and ask them to promote CSR activities. We will also conduct CSR questionnaires (in which suppliers are asked to fill out a check sheet and receive feedback on the results, as well as visits to each company to confirm the degree of achievement of their initiatives), which will help us promote CSR activities throughout the entire supply chain.

### ▶ NPR-RIKEN Supplier CSR Guidelines

[https://www.npr-riken.co.jp/en/sdgs/pdf/pdf\\_07.pdf](https://www.npr-riken.co.jp/en/sdgs/pdf/pdf_07.pdf)

## Conflict Minerals

In recent years, there has been concern that mineral resources mined in the Democratic Republic of the Congo (DRC) and neighboring countries have become a source of funding for armed groups that are causing human rights abuses and environmental destruction.

From the perspective of CSR procurement, we recognize the issue of conflict minerals as an important issue in our supply chain.

The Company, as well as Riken and Nippon Piston Ring, our operating subsidiaries, procure minerals that are conflict-free and do not involve human rights abuses or other injustices in DRC and neighboring countries. We conduct a survey every year on each supplier’s handling of conflict minerals, taking into account the activity policies of our customers and the industry (Japan Auto Parts Industries Association).

Our review shows that no conflict minerals are being used in connection with human rights abuses or other injustices.

With the cooperation of our suppliers, we are preparing to launch a human rights due diligence program with the divisions in charge of governance to identify, prevent, and mitigate risks of human rights violations not only in conflict minerals, but also in the entire supply chain.

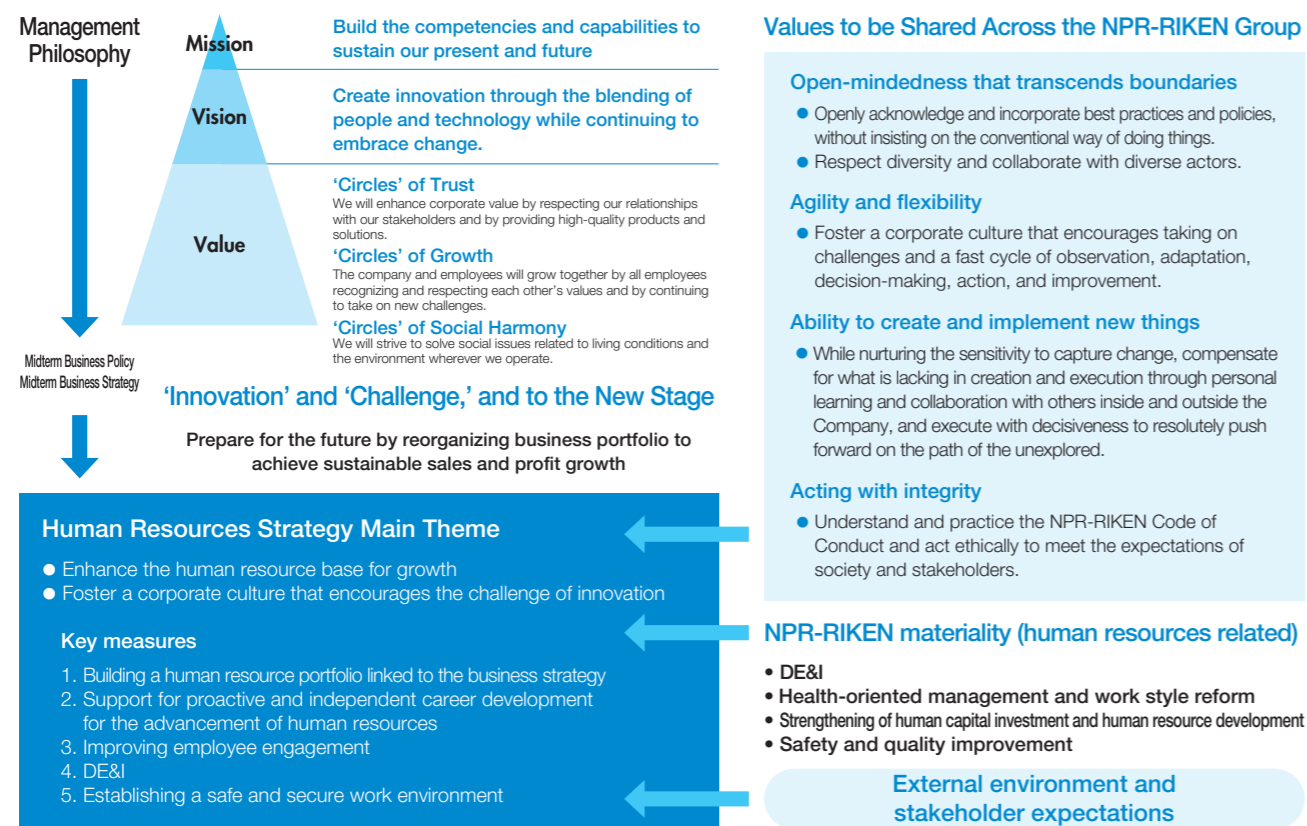
### ● Efforts to respect human rights → P. 35

# Human Resources

## Basic Approach

The two companies, the majority of whose sales are internal combustion engine (ICE) related parts, merged and established the Company in response to a sense of crisis in the face of a business environment of declining demand due to the shrinking production of vehicles with internal combustion engines as well as ICEs, as a result of the shift to electrification. Therefore, "Change and Challenge" is an important keyword in our management philosophy. As for our Midterm Business Strategy, we will reorganize our business portfolio (to increase the ratio of non-ICE sales) and aim for sustainable sales and profit growth. We also recognize that society strongly demands that we view human resources as capital and invest in them to maximize their value, and that the realization of this demand will determine our sustainable growth.

Based on these business and social environments, our policies, and the values we want to share, which are communicated to our employees by top management, we have established and are promoting a five-pillar human resource strategy with the main themes of "enhance the human resource base for growth" and "foster a corporate culture that encourages the challenge of innovation."



### 1. Building a human resource portfolio linked to the business strategy

As we seek to reorganize our business portfolio, we expect that the human resource portfolio required today and in the future will differ greatly. Therefore, we are currently visualizing the current human resource portfolio and skills, as well as clarifying the human resource portfolio and skills that will be required in the future. Based on the results, we will formulate and promote specific measures to enhance our human resources portfolio.

### 2. Support for proactive and independent career development for the advancement of human resources

#### FY2026 KPI: Investment in human resource development for employees +30% from FY2022

In advancing our human resources to enhance the human resources portfolio, we emphasize the development of professionals and managers in each field through on-the-job training (OJT), education and training based on the rank of position, and education based on division. At the same time, we believe it is important to support the independent and autonomous career development of individual employees and provide opportunities for further growth and challenges.

Accordingly, as a unified group, we will operate various systems that are currently in place at individual Group companies with positive results, such as an open recruitment system, an overseas trainee system, an overseas study abroad system, a distance learning course placement and financial assistance, and financial assistance for external courses and tuition fees voluntarily taken by employees. We will also formulate and promote new systems, such as the regular implementation of career follow-up interviews.

### 3. Improving employee engagement

In order to increase employee engagement, we believe it is important to instill in our employees that we are contributing to the sustainable development of society through our very business activities based on our management philosophy, such as providing products with superior environmental performance, and that this is linked to the values of each and every employee.

#### Conducting and utilizing engagement surveys

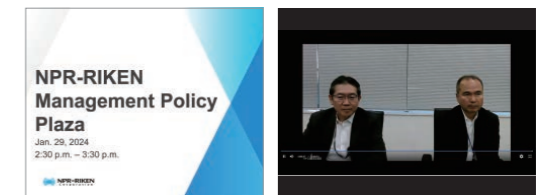
We will integrate the employee engagement surveys currently conducted by individual Group companies and use them as a common foundation for the Group to understand the current situation and make further improvements.

#### Management Policy penetration activities

As we have changed from a conventional operating company to an integrated holding company, it is very important to ensure that our policies are understood throughout the entire Group.

In January 2024, the CEO and COO held a webinar to communicate in their own words the Group's future outlook, policies, and values they wish to share with the Group's employees, as well as to answer their daily questions. This event was attended by a total of 604 employees from six countries.

We will continue to hold these events in the future while reviewing our management methods.



### 4. DE&I

KPI for FY2026	Ratio of female managers	3% or more (domestic), 7% or more (consolidated)
	Ratio of foreign managers	30% or more (consolidated)
	Ratio of male employees taking parental leave	50% or more (domestic)

We aim to create a workplace where diverse human resources can play an active role with confidence for all people regardless of gender, nationality, and other aspects. In addition to ensuring an open workplace environment, we are working to diversify our human resources by hiring women, foreign nationals, senior employees, etc.

#### Promotion of women to management positions

In addition to efforts to realize diverse work styles, including the expansion of diverse work arrangements and support for nursing care and childcare, the Group's priority is to create an employment environment in which everyone feels fulfilled and comfortable in exercising their abilities, regardless of gender or time constraints. On this basis, we will actively recruit female employees, train them, promote them to executive positions, and increase the ratio of female managers. In addition, we will also keep a close eye on the ratio of female managers among full-time female employees.

#### Promotion of foreign nationals to management positions

The Group carries out recruitment activities that are open to all nationalities, and the domestic Group companies (both Riken and Nippon Piston Ring) have 15 non-Japanese employees, one of whom has been promoted to a managerial position. Meanwhile, in the overseas operating companies that support the Group, the majority of both managers and executives are non-Japanese. Based on the concept of harnessing diversity throughout the Group, we will continue to appoint foreign nationals to management positions in the right places at the right time.

#### Promotion of mid-career hires to management positions

The Group carries out recruitment activities that do not require any previous work experience. In recent years, approximately 30% to 40% of new hires have been mid-career hires in order to strengthen the recruitment of specialized personnel for the creation of new products and new businesses. Currently, mid-career hires account for about the same ratio of management positions at both the Company and its wholly owned subsidiaries. We will continue to appoint the right people to the right positions from the perspective of an appropriate personnel portfolio in line with the development of future management strategies.

#### Promotion of male employees to take parental leave

The Company believes that creating an environment in which men can actively participate in childcare will lead to the promotion of women's active participation, as well as to the creation of a comfortable workplace environment for both men and women.

As such, we will set a goal to promote the use of parental leave by male employees, make the system known to all employees, and improve the environment. Performance against targets will be monitored on a regular basis, and promotional activities will be carried out with a view to upwardly revising targets accordingly.

### 5. Establishing a safe and secure work environment

Establishing a safe and secure work environment, both mentally and physically, is essential for human resources to continuously demonstrate their abilities, grow on their own, and improve their human capital.

We will share the initiatives currently being implemented at individual Group companies and achieving positive results in terms of work style reform (improvement of productivity, correction of long working hours, promotion of holiday leaves, diverse work styles, etc.), health-oriented management, and occupational safety and health initiatives throughout the Group, and define and promote KPIs.

#### Health-oriented management

Our wholly owned subsidiary, Nippon Piston Ring, has been certified as a KENKO Investment for Health (KIH) Outstanding Organization for five consecutive years. As a group, we recognize that the promotion of employee health is related to the resolution of management issues and will promote health-oriented management initiatives.

#### Safety initiatives → P. 30



# Occupational Safety and Health

## Basic Approach

The NPR-RIKEN Group has identified “safety and quality improvement” as one of its materiality issues, as well as the “creation of safe and secure workplaces” as a key element of sustainability management in its Midterm Management Plan. We will establish an Occupational Safety and Health Policy to build a workplace culture that prioritizes safety, educate all employees in the Group, and clarify the basic principles and priorities of employee behavior.

### NPR-RIKEN Group Occupational Safety and Health Policy

The safety and health of all employees working in the Group’s workplaces, as well as those involved, takes precedence over everything else. We will work as one to continuously promote the operation and activities of the occupational safety and health management system, and aim to eliminate occupational accidents and maintain and promote health by improving the level of our activities.

#### 1. Compliance with laws, regulations, and rules

We will improve occupational safety and health in accordance with the Industrial Safety and Health Act, related laws and regulations, and internal rules.

#### 2. Creating a safe and secure workplace

We will clarify hazardous and harmful factors through the implementation of risk assessment and continuously work on safety measures in the workplace.

#### 3. Creating a healthy and comfortable workplace

We will promote a vibrant workplace by working to improve mental and physical health.

#### 4. Human resource development through enhanced occupational safety and health education

We will work to nurture people with a high level of sensitivity to safety by ensuring that all employees and related personnel continuously learn the relevant laws and regulations, internal rules, work procedures, and other rules related to occupational safety and health, and by enhancing mutual communication.

## System and Initiatives

NPR-RIKEN has established a management system for occupational safety and health and is promoting its efforts.

In line with the Occupational Safety and Health Policy and the basic principle of safety first, we have established the Vision for FY2030 (long-term policy) and FY2026, and are promoting them by incorporating them into our key issues and the Occupational Safety and Health Plan. The occupational safety and health divisions of Riken and Nippon Piston Ring, our two main operating subsidiaries, are working together to build a safer culture through business integration.

In addition, key issues and Occupational Safety and Health Plans are developed in each division and affiliated company and incorporated into specific action plans, and progress is reported at each Occupational Safety and Health Committee meeting to enable checking and follow-up.

Moreover, to prevent recurrence and occurrence across the entire Group, we have a system in place for immediate reporting of occupational accidents and fires and for immediate countermeasures.

Key issues	Vision for FY2026	Critical implementation items
Zero occupational accidents	Achieve zero occupational accidents by making facilities and operations intrinsically safe, raising safety awareness, and enhancing the safety management system	Improvement of facilities, reorganization of procedural documents, reevaluation of risk assessment, improvement of countermeasures for frequent abnormal suspensions, and various types of training
Zero workplaces working in extreme heat and engaging in strenuous physical labor	Realization of an age-friendly workplace where older workers can work with peace of mind	Environmental measurements and measures
Zero fires (including small fires)	Improved risk containment and initial firefighting response capabilities	Fire drills for firefighting and fire prevention patrols

### Key Topic

#### Safety Kodokan (Nippon Piston Ring Tochigi Plant)

The NPR Safety Kodokan was established for the purpose of preventing the occurrence of occupational accidents by ensuring that accidents that occur in the Group are not forgotten, improving risk sensitivity, and providing a place for occupational safety and health education.

**Experiencing disasters in VR**

**Types of VR content**

- Crashes
- Electric shock
- Tipping over
- Dust explosion
- Collision
- Entanglement
- Being struck by a collision
- Overloading, etc.
- Fires
- Falls
- Entrapment
- Asphyxiation
- Tripping



VR content



3-axis rocker



Head-mounted displays, large monitors

**Exhibit of equipment that generated a major disaster (same type)**



**Learning about types of protective equipment and how to wear them properly**



### Examples of Safety Initiatives

#### Safety gate

Safety gates have been installed at the entrances to all buildings, regardless of whether they are plants, office buildings, or development buildings, to raise the safety awareness of all employees, regardless of their work.



Nippon Piston Ring Fukushima Plant



Riken Corporation, Kashiwazaki Plant (Tsurugi)

# Contributing to and Strengthening Collaboration with the Local Communities

Recognizing that a company is a social entity, the NPR-RIKEN Group’s management philosophy is to respect our relationships with our stakeholders, and to strive to solve social issues related to living conditions and the environment wherever we operate. Our code of conduct also states, “In order to fulfill its role as a member of the local communities in which it operates, the NPR-RIKEN Group will actively participate in community development, volunteer work, disaster prevention and disaster recovery activities, and participate in social contribution activities in both the local and international communities.”

Based on this philosophy, we have undertaken the following initiatives as one example, and will continue to do so as we broaden the scope of our activities to further contribute to the needs of the local community.

### Donation of books and equipment to elementary and junior high schools



Since 1999, we have donated books, science lab equipment, information devices, and other school materials to elementary and junior high schools in Kashiwazaki City, Niigata Prefecture and Kumagaya City, Saitama Prefecture, where our Group companies are located, as part of our efforts to help educate the youth of the region.

### Sports support for people with disabilities



We agree with the Special Olympics’ philosophy of Unified Sports, in which “people with and without disabilities enjoy sports activities together and understand each other,” and support the activities of Special Olympics Kashiwazaki in Kashiwazaki City, Niigata Prefecture.

### Extermination of non-native plants in riverbeds

We participated in the removal operation of willows and tall goldenrod at Watarase-yusuichi. The tall goldenrod is an invasive plant of the Asteraceae family native to North America that can displace native plants, including endangered species. We will actively engage in activities to support and cooperate with environmental protection.



Tall goldenrod

### Assistance in times of disaster

Our Group company, Normeca Asia, a trading company specializing in disaster emergency medical products, is engaged in ongoing disaster relief activities. During the 2024 Noto Peninsula Earthquake, we transported relief supplies and installed medical containers for first aid at two evacuation centers in Suzu City at the request of Ishikawa Prefecture.



# Corporate Governance

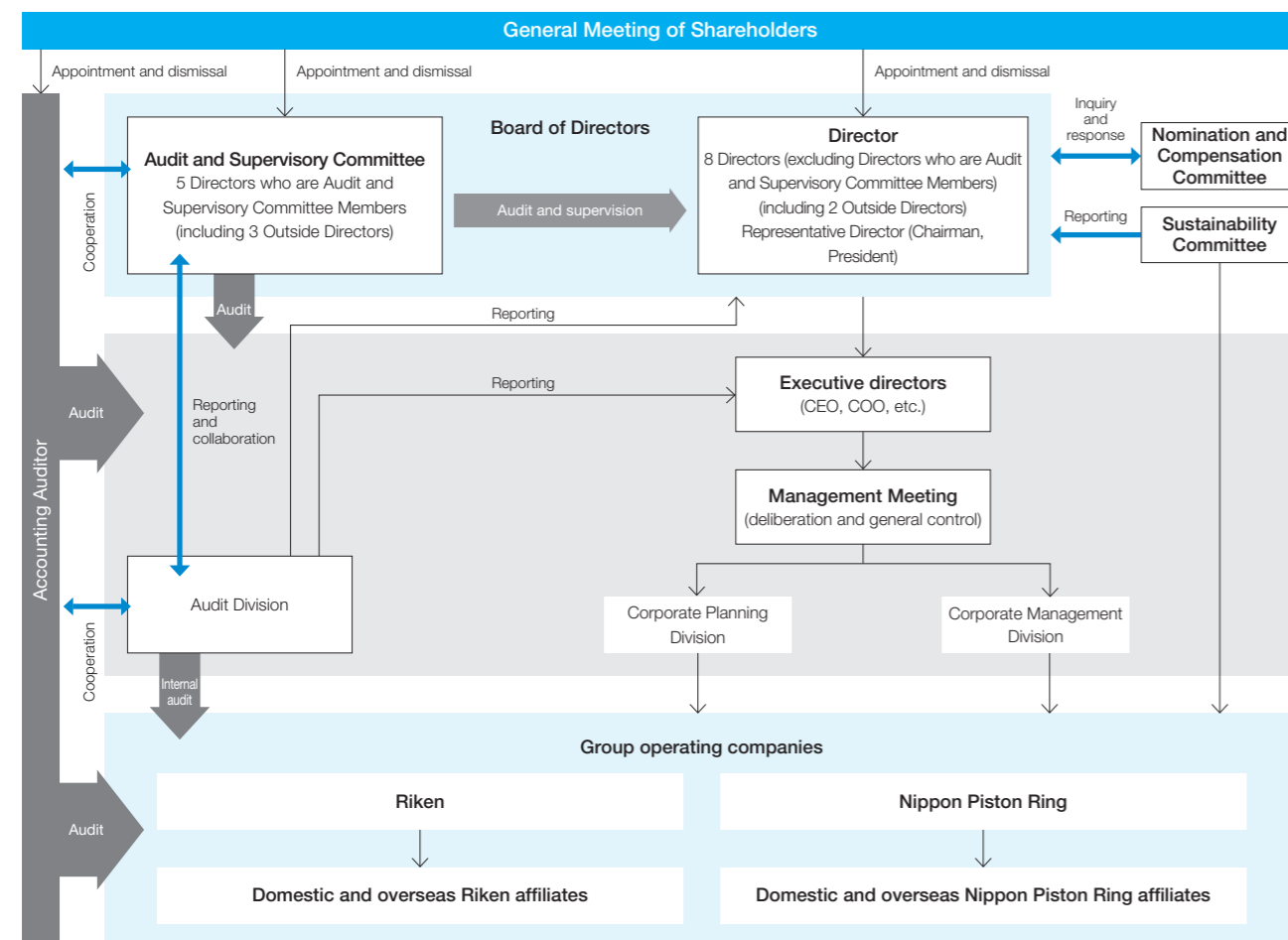
## Basic Approach

The Group positions sustainable corporate growth and the enhancement of long-term stable corporate value as key management issues, and is working to enhance corporate governance based on the principles of “ensuring the rights and equality of shareholders,” “appropriate collaboration with stakeholders other than shareholders,” “appropriate information disclosure,” “improving management efficiency, legality, and transparency,” and “promoting dialogue with shareholders.”

▶ Corporate Governance Report [https://www.npr-riken.co.jp/sdgs/pdf/pdf\\_01.pdf](https://www.npr-riken.co.jp/sdgs/pdf/pdf_01.pdf)

## Corporate Governance System

### Corporate governance system diagram



### Board of Directors

The Company has strengthened the auditing and supervisory functions of the Board of Directors by making Audit and Supervisory Committee Members, who are responsible for auditing and supervision of the execution of duties by Directors, members of the Board of Directors.

The Company’s Board of Directors consists of eight Directors (excluding Directors who are Audit and Supervisory Committee Members; including two Outside Directors), and five Directors who are Audit and Supervisory Committee Members (including three Outside Directors). The Board of Directors deliberates and decides on basic management policies, Group management strategies, and other important business matters, and supervises the execution of duties by individual Directors.

### Approach to the diversity of the Board

	FY2023
Ratio of Outside Directors	38% (5/13 persons)
Target of the ratio of women and foreign nationals	8% (1/13 persons)

Currently, the Company’s Board of Directors consists of 13 Directors with international experience, including five Outside Directors (one of whom is a female director) who have extensive experience at other companies, broad insight, and an international perspective, and who supervise our business execution from an independent standpoint.

Based on the Company’s management philosophy, management strategies, and management policies, the Company identifies skills that are representative of the knowledge, experience, and abilities that the Board of Directors as a whole should possess.

Nominations of candidates for Directors will be made by the Board of Directors after deliberations by our voluntary Nomination and Compensation Committee, of which the majority of members are independent outside officers. The candidates will be determined by taking into consideration the combination of skills of the entire Board of Directors, as well as diversity aspects such as gender, who can appropriately perform their duties as Directors, have a wealth of experience in management, and are internationally minded and of good character and insight.

We are also considering setting targets to further increase the diversity of the Board of Directors, with the goal of increasing the ratio of Outside Directors on the Board of Directors as well as the ratio of female officers to the Board of Directors to at least 30% by 2030.

### Officer Remuneration System

The Company stipulates that the remuneration of the Company’s Directors shall be appropriate to attract and retain talented individuals who will practice the realization of the Company’s corporate philosophy and motivate them to adequately fulfill their expected roles for the sustainable enhancement of the Company’s corporate value and shareholder value.

In addition, the content of remuneration for Directors is designed to be rational, objective, and transparent in terms of both the content of remuneration and the decision-making process, in order to adequately fulfill accountability to shareholders and other stakeholders.

The standard total remuneration consists of fixed remuneration, with the standard amount based on position and other relevant factors, paid monthly in cash, and performance-linked remuneration. Furthermore, the performance-linked remuneration is structured into cash bonuses paid based on annual performance, and stock-based remuneration (restricted stock), which is incentive remuneration that fluctuates based on performance, provided with the intention to share a sense of profit with shareholders and to motivate them to achieve medium- and long-term goals.

Directors who are Audit and Supervisory Committee Members, Outside Directors, and foreign national Directors who receive an annual salary are paid only fixed remuneration and are not subject to company or individual performance evaluation.

Cash bonuses, which are short-term performance-linked remuneration, are paid annually at a predetermined time after the end of the relevant fiscal year, in an amount determined according to the level of performance against the target consolidated ordinary profit for each fiscal year set out in the Midterm Management Plan.

As non-monetary remuneration, the Company has introduced stock-based remuneration (restricted stock), which is an incentive remuneration that fluctuates based on performance, with a restricted transfer period of 25 years.

Stock-based remuneration (restricted stock) is granted at a certain time each year in the number of shares determined based on factors such as position, responsibilities, and stock price.

The following table shows the ratio of remuneration by type.

Officer classification	Composition of officer remuneration			Total
	Monetary remuneration		Stock-based remuneration	
	Fixed remuneration	Short-term performance-linked (bonus)	Long-term performance-linked	
Director	63%	24%	13%	100%

With respect to officer remuneration, a distinction is made between Directors (excluding those who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members. Remuneration for Directors (excluding those who are Audit and Supervisory Committee Members) shall be determined by the Board of Directors after deliberation by the Nomination and Compensation Committee. Remuneration for Directors who are Audit and Supervisory Committee Members is determined after deliberation by the Audit and Supervisory Committee.

# Risk Management

## Basic Approach

For the purpose of business continuity, corporate survival, sustainable enhancement of corporate value, and securing the trust of stakeholders, the Group has established a basic policy for business continuity management (BCM) and risk management-related regulations, and is taking systematic actions. These actions are designed to minimize the risk of losses, and include preparing appropriate countermeasures in advance according to the size of the risk and the likelihood of its occurrence.

### Basic Policy on Business Continuity Management (Excerpt)

#### 1. Basic Policy

The Group will establish a Business Continuity Management (BCM) system for emergency situations to minimize risks such as customer impact and loss of corporate reputation due to interruption of important operations in the event that management and production activities are disrupted and business continuity is extremely difficult due to various events (emergencies) such as earthquake, fire, windstorm, flood, infectious disease, cyber attack, or power shortage, or if the same events are expected to last for a prolonged period of time.

Under the BCM system, we will formulate a Business Continuity Plan (BCP) that defines initiative policies, procedures, organizations, and systems for business continuity and early recovery/resumption of business in the event of a disaster, and periodically review the plan to ensure that an appropriate management system is maintained.

#### 2. Business Continuity Management Policy for Emergency Situations

##### Respect for human life

In implementing business continuity management in the event of an emergency, the Group recognizes that respect for human life is the highest priority, and will respond accordingly.

##### Implementation of business continuity management

Recognizing the importance of business continuity management in the event of an emergency, the Group will establish and maintain a BCP and a system for its appropriate implementation and operation.

We also strive to raise the awareness and capabilities of each and every employee with regard to business continuity and to enhance the effectiveness of the BCP through dialogue with stakeholders.

##### Implementation of continuous improvement

The Group will formulate, implement, and operate a BCP for business continuity management, which will be periodically reviewed and continuously improved.

##### Coexistence with society and contribution to society

In formulating and reviewing the BCP, the Group will strive to fulfill its socially required roles, such as preventing secondary disasters, contributing to and living in harmony with the community, and disclosing a wide range of information, while also taking into consideration coexistence with society and regional reconstruction.

### Risk Management and Emergency Response System

The Risk Management/Business Continuity Management (RM/BCM) Subcommittee was established under the Sustainability Committee, chaired by the COO, to build a risk management system for the entire Group and to implement appropriate risk responses. The subcommittee promotes activities necessary to manage risks and to ensure that business continuity plans are firmly in place and thoroughly implemented.

Led by the RM/BCM Subcommittee, risks in the Group are identified and assessed each year, prioritized, and a risk response plan is developed. Each division takes action on any risks or problems that arise, and progress is reported to the Board of Directors.

Furthermore, we will strive to prevent large-scale accidents, disasters, and scandals from occurring at ordinary times, and in the unlikely event that a situation occurs that directly and significantly affects the management and production activities and is expected to cause damage to the Company or the Group, an emergency response organization headed by the President (or the President's designee) will be established to deal with the situation.



# Compliance

## Basic Approach

The mission of our Group Philosophy is "Build the competencies and capabilities to sustain our present and future." In order to fulfill this mission, we recognize that thorough compliance with laws and regulations is essential, and we strive to establish a management system in which all officers and employees comply with laws, regulations, and social norms, act based on fair ethical standards, and earn the trust of society at large.

The NPR-RIKEN Code of Conduct has been established, communicated, and practiced as the Company's policy for the proper conduct of business activities and as the basic standards of conduct to be observed by all officers and employees working for the Group in their daily activities.

▶ NPR-RIKEN Code of Conduct

<https://www.npr-riken.co.jp/company/philosophy/pdf/norm.pdf>

### Compliance Promotion System

In order to establish a management system trusted by society, a Compliance Subcommittee has been established within the Sustainability Committee, a company-wide committee chaired by the COO, to promote various activities necessary to ensure that compliance firmly established and thoroughly implemented. The Audit Division conducts periodic internal audits to ascertain the actual status of the Company's business operations, and investigates and verifies whether all business operations are conducted properly, appropriately, and reasonably in accordance with laws and regulations, the Articles of Incorporation, and internal regulations, and whether the Company's systems, organization, and various regulations are proper and appropriate. The results of the audits are reported to the President and the Audit and Supervisory Committee.

### Initiatives to Promote Compliance Awareness

#### Compliance Education

With regards to compliance activities in areas closely related to business operations, such as compliance with competition and subcontract acts, anti-corruption, export control, and occupational safety and health, these activities are promoted by the supervising divisions of each operating company, including the implementation of training for relevant personnel.

As for general legal education, each operating company incorporates legal education into rank-based education for new employees and supervisors, group education for each division, as well as comprehension tests through e-Learning.

#### Communicating the Code of Conduct

We have set "80% of employees practicing the code of conduct by FY2026" as a KPI for sustainability management in our Midterm Management Plan.

In April 2024, a portable pamphlet was prepared and distributed to all Group employees to promote awareness of the code of conduct, including reading the code of conduct together in each division, as well as translating and distributing the code of conduct in six languages to ensure that all Group companies in Japan and overseas are familiar with it.

Going forward, we will create an educational textbook for a deeper understanding of the content, incorporate it into training for new employees, managers and supervisors, and into other rank-specific training, as well as implement initiatives for practical application, such as comprehension tests through e-Learning.

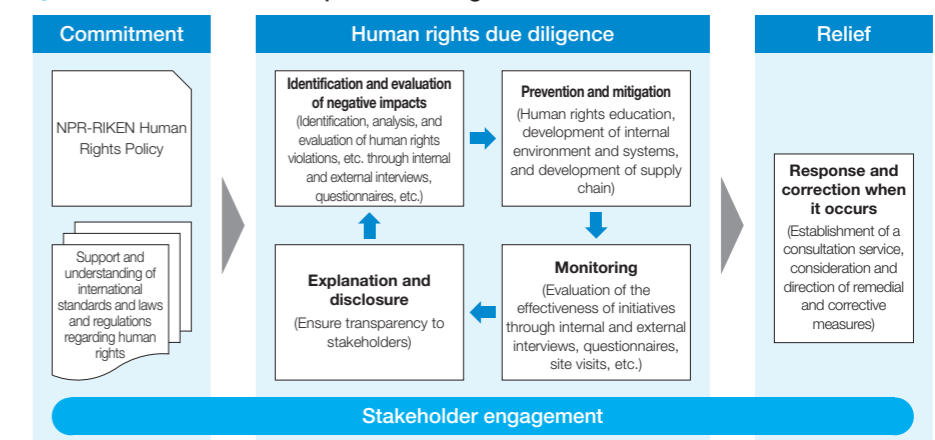
### Respect for Human Rights

Recognizing that our business activities are built on the premise of respect for human rights, we have established a Human Rights Policy to fulfill our responsibility to respect human rights, and have identified "respect for human rights" and "supply chain management" as materiality issues.

Currently, we are preparing to establish a human rights promotion system and implement human rights due diligence and Group human rights education.

● Materiality and KPI → P. 14

#### Direction of efforts to respect human rights



# Board Members (as of March 31, 2024)



## Skills Matrix

Based on the Company's management philosophy, management strategies, and management policies, the Company identifies skills that are representative of the knowledge, experience, and abilities that the Board of Directors as a whole should possess. Nominations of candidates for Directors will be made by the Board of Directors after deliberations by our voluntary Nomination and Compensation Committee, of which the majority of members are independent outside officers. The candidates will be determined by taking into consideration the combination of skills of the entire Board of Directors, as well as diversity aspects such as gender, who can appropriately perform their duties as Directors, have a wealth of experience in management, and are internationally minded and of good character and insight.

	Key areas of experience we look for in Directors						
	Corporate management	Global management	Legal affairs / Governance / Risk management	Finance / Accounting	Innovation / R&D	Manufacturing	Sales / Marketing
1 Yasunori Maekawa	○	○					○
2 Teruo Takahashi	○	○		○	○	○	
3 Kaoru Itoh	○	○	○	○			○
4 Yuji Sakamoto	○	○	○			○	○
5 Hidehiro Sakaba	○	○	○	○		○	
6 Masaaki Fujita	○	○	○	○			○
7 Eiji Hirano <span>Outside</span>	○	○	○	○			
8 Masako Kurosawa <span>Outside</span>		○	○				
9 Kouei Watanabe	○	○			○	○	
10 Hiroto Koeba	○		○	○			
11 Osamu Honda <span>Outside</span>	○		○	○			
12 Hiroki Kimura <span>Outside</span>	○		○	○			
13 Tatsuya Sakuma <span>Outside</span>			○	○			

Note: The above list does not represent the entire expertise of each Director.

**1** Representative Director, Chairman and CEO  
**Yasunori Maekawa**  
 [Number of shares held] 63,100

After leading Riken's overseas sales, domestic sales, and overseas operations for many years, he has led Riken's management and contributed to the Group's sustainable growth and medium- to long-term corporate value enhancement through global business expansion and addressing management issues. He has extensive knowledge and experience in all aspects of management.

**3** Director  
**Kaoru Itoh**  
 [Number of shares held] 81,800

He has led Riken's management and contributed to the Group's sustainable growth and medium- to long-term corporate value enhancement through global business expansion and addressing management issues. He has extensive knowledge and experience in all aspects of management.

**5** Director  
**Hidehiro Sakaba**  
 [Number of shares held] 24,500

With a high level of expertise in corporate planning, accounting and finance, and business administration divisions, he has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.

**7** Outside Director  
**Eiji Hirano**  
 [Number of shares held] 0

He has held important positions at the Bank of Japan and has a high degree of expertise in overall corporate management, including financial institutions, as well as a wealth of international experience and broad insight, and has actively provided opinions on overall group management from an objective perspective and has also played a role in supervising management.

**9** Director (Audit and Supervisory Committee Member)  
**Kouei Watanabe**  
 [Number of shares held] 24,600

He has a high level of expertise mainly in the technical division, and has contributed to the enhancement of the Group's corporate value.

**11** Outside Director (Audit and Supervisory Committee Member)  
**Osamu Honda**  
 [Number of shares held] 0

He has a high level of expertise in overall corporate management, including financial institutions, a wealth of experience and broad insight, and experience in the management of other companies. He has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.

**13** Outside Director (Audit and Supervisory Committee Member)  
**Tatsuya Sakuma**  
 [Number of shares held] 0

He has extensive experience and broad insight in the legal profession and experience as an outside director of other companies.

**2** Representative Director, President and COO  
**Teruo Takahashi**  
 [Number of shares held] 22,806

He has led the management of Nippon Piston Ring and contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term through various business developments. He has extensive knowledge and experience in all aspects of management.

**4** Director  
**Yuji Sakamoto**  
 [Number of shares held] 25,575

He is well versed in all aspects of management and has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.

**6** Director  
**Masaaki Fujita**  
 [Number of shares held] 18,202

With a high level of expertise in corporate planning and business administration divisions, he has contributed to the sustainable growth of the Group and the enhancement of its corporate value over the medium to long term. He has extensive knowledge and experience in all aspects of management.

**8** Outside Director  
**Masako Kurosawa**  
 [Number of shares held] 0

As a scholar, she has a high level of expertise in labor economics.

**10** Director (Audit and Supervisory Committee Member)  
**Hiroto Koeba**  
 [Number of shares held] 1,919

He has a high level of expertise mainly in the accounting division, and has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.

**12** Outside Director (Audit and Supervisory Committee Member)  
**Hiroki Kimura**  
 [Number of shares held] 0

He has abundant experience and broad insight in all aspects of management in the life insurance industry. He has audited the execution of duties by Directors from an objective and fair standpoint, thereby contributing to ensuring sound management.

# Company Data and Stock Information

## Company Profile (as of March 31, 2024)

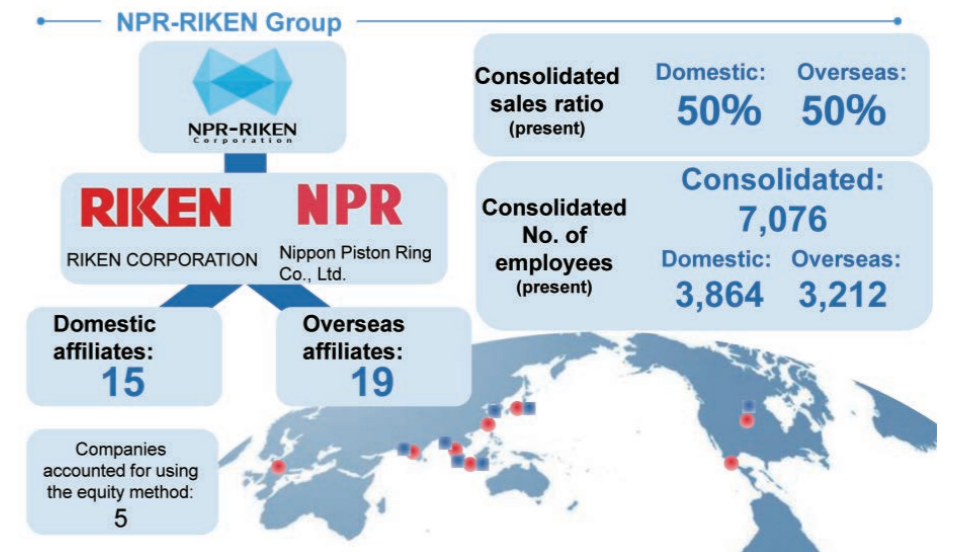
<b>Trade Name</b>	NPR-RIKEN CORPORATION
<b>Head Office Address</b>	8-1, Sanbancho, Chiyoda-ku, Tokyo
<b>Established</b>	October 2, 2023
<b>Capital</b>	5,061 million yen
<b>Number of Employees</b>	Consolidated: 7,076 (as of December 31, 2023)

## Shares (as of March 31, 2024)

Total number of authorized shares	59,935,000
Total number of shares issued	28,141,360
Number of shareholders	19,299

## List of Group Companies (Domestic)

Riken Corporation / Head office	Nippon Piston Ring Co., Ltd. / Head office
Riken Corporation / Kashiwazaki Plant (Kashiwazaki)	Manufacture of automotive parts such as piston rings, drive and chassis parts
Riken Corporation / Kashiwazaki Plant (Tsurugi)	Manufacture of piston rings
Riken Castec Co., Ltd.	Manufacture of camshafts, design and manufacture of dies
Riken Kikai Co., Ltd.	Manufacture and processing of automotive parts
Riken EP Corporation	Manufacture of engineered plastic products
Nihon Mekki Industry Co., Ltd.	Surface treatment processing of piston rings
Kashiwazaki Piston Ring Co., Ltd.	Manufacture of marine piston rings
Riken Corporation / Kumagaya Plant	Manufacture of automotive parts
Riken Environmental System Co., Ltd.	Manufacture and sale of anechoic chamber equipment
RIKEN HEAT TECHNO Corporation	Manufacture and sale of heating elements, manufacture and sale of industrial furnaces
Riken Kumagaya Kikai Co., Ltd.	Processing of automotive parts
CK Riken JV Co., Ltd.	Manufacture of fittings and piping products
RIKEN Brother Precision Industry Corporation	Manufacture and sale of parts for automotive, marine, and industrial machinery
NIPPON PIPE FITTING Corp.	Manufacture of fittings and piping products
Nippon Piston Ring Co., Ltd. / Tochigi Plant	Manufacture of assembled sintered camshafts, valve train parts, piston rings for land and marine use, MIM products, etc.
Nippon Piston Ring Co., Ltd. / Nogi Branch of Tochigi Plant	Manufacture of automotive piston rings and MIM products
NPR Fukushima Works Co., Ltd.	Manufacture of valve seats, cylinder liners, etc.
NPR Iwate Co., Ltd. / Ichinoseki Plant	Manufacture of automotive/land and marine piston rings, rotary engine parts, etc.
NPR Iwate Co., Ltd. / Senmaya Plant	Manufacture of automotive/land and marine piston rings
RKE Co., Ltd.	Shinwa Vanes Co., Ltd.
Riken Trading Co., Ltd.	Normeca Asia Co., Ltd.
Yaesu Trading Co., Ltd.	



## List of Group Companies (Overseas)

Production bases	
RIKEN MEXICO, S.A. DE C.V.	Manufacture and sale of automotive parts
XIAMEN RIKEN IND. CO., LTD.	Manufacture and sale of cast products for automobiles and motorcycles, including piston rings and camshafts
RIKEN AUTOMOBILE PARTS (WUHAN) CO., LTD.	Manufacture and sale of automotive parts such as piston rings
RIKEN SEAL PRODUCTS (WUHAN) CO., LTD.	Manufacture of engineered plastic products
Riken Power System (Nanjing) Co., Ltd.	Manufacture and sale of automotive parts such as piston rings
Shenglong Riken New Energy (Ningbo) Co., Ltd.	Manufacture and sale of automotive parts, etc.
TAIWAN RIKEN IND. CO., LTD.	Manufacture and sale of piston rings and automotive casting products
SIAM RIKEN IND. CO., LTD.	Manufacture and sale of piston rings
P.T. PAKARTI RIKEN INDONESIA	Manufacture and sale of cast products such as camshafts
SHRIRAM PISTONS & RINGS LTD.	Manufacture and sale of piston rings, pistons, and engine valves
NPR of America, Inc. / Kentucky Manufacturing Plant	Manufacture of piston rings
NPR of America, Inc. / Michigan Manufacturing Plant	Manufacture of valve seats
NPR Auto Parts Manufacturing (Yizheng) Co., Ltd.	Manufacture and sale of piston rings, etc.
NPR ASIMCO Powdered Metals Manufacturing (Yizheng) Co., Ltd.	Manufacture of valve seats
PT.NT Piston Ring Indonesia	Manufacture of piston rings and valve seats
PT.NPR Manufacturing Indonesia	Manufacture of cast iron piston rings
SIAM NPR Co., Ltd.	Manufacture and sale of valve seats, etc.
NPR AUTO PARTS MANUFACTURING INDIA PRIVATE LIMITED	Manufacture and sale of valve seats
Sales bases	
RIKEN OF AMERICA, INC.	NPR of Europe GmbH.
PT. RIKEN OF ASIA	NPR SINGAPORE PTE. LTD.
RIKEN SALES AND TRADING (THAILAND) CO., LTD.	E.A ASSOCIATES SDN. BHD.
EURO-RIKEN GMBH	SIAM NPR Co., Ltd. / Bangkok Office
NPR of America, Inc. / Los Angeles Sales Office	NPR AUTO PARTS MANUFACTURING INDIA PRIVATE LIMITED / Gurgaon Office
NPR of America, Inc. / Detroit Sales Office	NPR Korea Representative Office